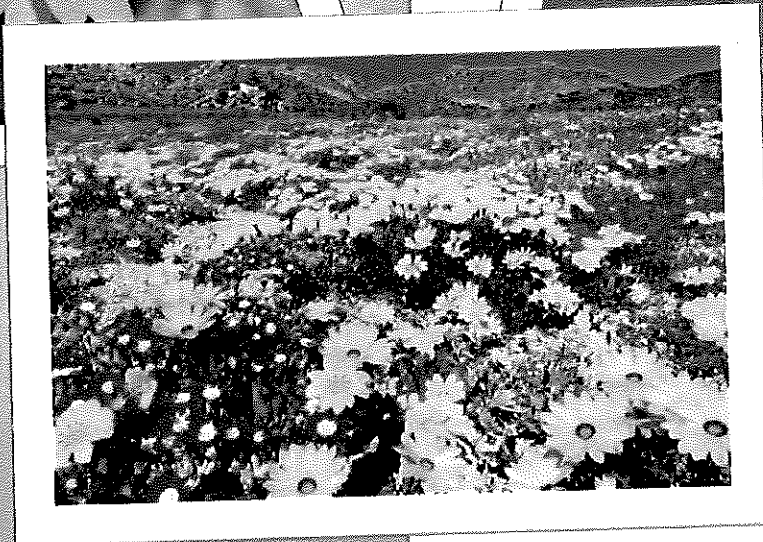
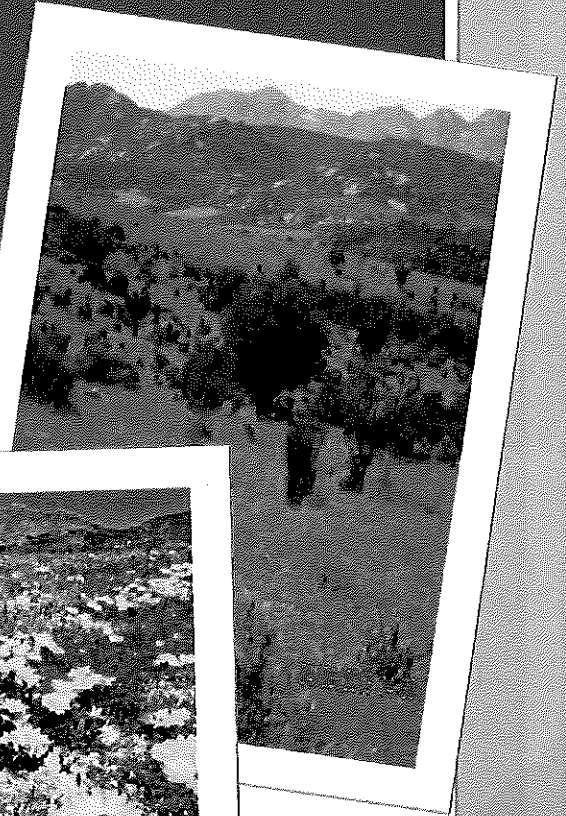


NAMAKWA DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2019

Annual Financial Statements

for

Namakwa District Municipality

for the year ended 30 June: **2019**

Province:

Northern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:

| | |
|--|--|
| Name of Municipal Manager: | Christiaan Jacobus Fortuin |
| Name of Chief Financial Officer: | Rajiv Datadin |
| Contact telephone number: | (027) 712 8000 |
| Contact e-mail address: | rajivd@namakwa-dm.gov.za |
| Name of contact at provincial treasury: | |
| Contact telephone number: | Julio Brandt |
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| Name of relevant Auditor: | Auditor-General |
| Contact telephone number: | (053) 836 8800 |
| Contact e-mail address: | NdabezinhleN@agsa.co.za |
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| Contact telephone number: | Manda.Gilimani@treasury.gov.za |
| Contact e-mail address: | 012 315 5079 |

Namakwa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

General information

Current Members of the Council

| | |
|-------------|-----------------------------------|
| MJ Cloete | Mayor |
| NC Klaaste | Acting Speaker (Term ended) |
| WJ Links | Member of the Executive Committee |
| HJ Jack | Member of the Executive Committee |
| CG Coetzee | Member of the Executive Committee |
| CK Klaase | Member |
| A Minnies | Member |
| CR Warne | Member |
| JE Davids | Member |
| G Gous | Member |
| EP Cloete | Member |
| ZP De Jongh | Member |
| AM Beukes | Member |
| GJ Coetzee | Member |
| GY Pieters | Member |
| AW Beukes | Member |

Municipal Manager

Christiaan Jacobus Fortuin

Chief Financial Officer

Rajiv Datadin

Grading of Local Authority

The Namakwa District Municipality includes the municipal areas of Khai-Ma Municipality, Nama Khoi Municipality, Richtersveld Municipality, Kamiesberg Municipality, Hantam Municipality and Karoo Hoogland Municipality.

Nature of business

The Namakwa District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996).

Auditors

Auditor-General

Bankers

Nedbank

Attorneys

Schreuders Attorneys
Nash Vandayor & Associates
T Nyanlungu Incorporated
Reagon Brown Inc
Matthews & Partners
TNK Attorneys
Ndaba t/a H&E Inc
GN Moabelo

Namakwa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

General information (continued)

Registered Office: Namakwa District Municipality Building

Physical address:
Van Riebeeck Street
Springbok
8240

Postal address:
Private Bag X20
SPRINGBOK
8240

Telephone number: (027) 712 8000

Fax number: (027) 712 8040

E-mail address: info@namakwa-dm.gov.za

Relevant Legislation:

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

Namakwa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 5 to 93 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.



Municipal Manager: **Christiaan Jacobus Fortuin**

31 August 2019

Namakwa District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

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| Namakwa District Municipality STATEMENT OF FINANCIAL POSITION as at 30 June 2019 | | | |
|--|-------------|---------------------|--------------------|
| | Note | 2019 R | 2018 R |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 7 537 497 | 11 604 468 |
| Trade and other receivables from exchange transactions | 3 | 263 863 | 403 287 |
| Receivables from non-exchange transactions | 4 | 1 677 627 | 1 054 465 |
| VAT receivable | 9 | 280 039 | 777 431 |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 8 692 118 | 6 086 696 |
| Intangible assets | 6 | 238 541 | 311 166 |
| Investment property carried at cost | 7 | 81 563 | 95 156 |
| Total assets | | 18 771 249 | 20 332 668 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 8 | 3 550 749 | 4 264 555 |
| Current employee benefits | 10 | 4 107 462 | 3 668 129 |
| Current portion of unspent conditional grants and receipts | 11 | 1 610 388 | 1 259 271 |
| Current portion of finance lease liability | 12 | 130 790 | 91 222 |
| Non-current liabilities | | | |
| Non-current finance lease liability | 12 | 233 635 | 0 |
| Non-current employee benefits | 13 | 19 688 724 | 16 325 440 |
| Total liabilities | | 29 321 747 | 25 608 617 |
| Net assets | | (10 550 499) | (5 275 949) |
| NET ASSETS | | | |
| Reserves | | 73 832 | 60 983 |
| Accumulated surplus / (deficit) | | (10 624 331) | (5 336 932) |
| Total net assets | | (10 550 499) | (5 275 949) |

| Namakwa District Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2019 | | | |
|---|-------------|--------------------|-------------------|
| | Note | 2019 R | 2018 R |
| Revenue | | | |
| Revenue from Non-exchange Transactions | | 55 635 172 | 46 926 403 |
| Transfer Revenue | | | |
| Government grants and subsidies | 17 | 55 195 884 | 46 042 639 |
| Contributed Property, Plant and Equipment | 18 | 439 288 | - |
| Other Revenue | | | |
| Actuarial Gains | 19 | - | 883 764 |
| Revenue from Exchange Transactions | | 8 204 302 | 6 671 296 |
| Rental of facilities and equipment | 14 | 933 397 | 1 024 966 |
| Interest earned - external investments | 15 | 1 326 051 | 1 222 292 |
| Interest earned - outstanding receivables | 16 | 82 908 | 89 723 |
| Operational Revenue | 19 | 5 861 945 | 4 334 315 |
| Total revenue | | 63 839 474 | 53 597 699 |
| Expenses | | | |
| Employee related costs | 20 | 35 199 597 | 31 555 624 |
| Remuneration of councillors | 21 | 3 118 533 | 2 969 987 |
| Actuarial losses | 13 | 3 262 797 | - |
| Depreciation and amortisation expense | 22 | 1 617 127 | 1 677 132 |
| Finance costs | 23 | 1 588 878 | 1 620 373 |
| Contracted services | 24 | 9 344 953 | 9 965 386 |
| Grants and subsidies paid | 25 | 2 998 435 | 842 951 |
| Operational Costs | 26 | 12 417 352 | 10 985 400 |
| Total expenses | | 69 547 672 | 59 616 854 |
| Gain / (loss) on sale of assets | 27 | (74 038) | (619) |
| Reversal of impairment loss / (Impairment loss) - Receivables | 3&4 | 596 679 | 9 344 808 |
| Reversal of impairment loss / (Impairment loss) - Assets | 28 | (88 993) | (18 795) |
| Surplus / (deficit) for the period | | (5 274 550) | 3 306 239 |

| Namakwa District Municipality STATEMENT OF CHANGES IN NET ASSETS as at 30 June 2019 | | | | | | |
|---|------------------|------------------|-----------------------------|-----------------|-------------------------------|---------------------|
| | Contingency Fund | Maintenance fund | Capital Replacement Reserve | Total: Reserves | Accumulated Surplus/(Deficit) | Total: Net Assets |
| Note | R | R | R | R | R | R |
| Balance at 30 June 2017 | - | - | 10 628 | 10 628 | (8 599 413) | (8 588 785) |
| Correction of prior period error | - | - | - | - | 6 597 | 6 597 |
| Restated balance | 29.4 | | | | | |
| Transfer from reserves | - | - | 10 628 | 10 628 | (8 592 816) | (8 582 188) |
| Property, Plant and Equipment purchased | - | - | - | - | - | - |
| Transfer to CRR | - | - | (90 017) | (90 017) | 90 017 | - |
| Surplus / (deficit) for the period | - | - | 140 372 | 140 372 | (140 372) | - |
| Balance at 30 June 2018 | | | | | 3 306 239 | 3 306 239 |
| Transfer from reserves | - | - | 60 983 | 60 983 | (5 336 932) | (5 275 949) |
| Property, Plant and Equipment purchased | - | - | (2 746 184) | (2 746 184) | 2 746 184 | - |
| Transfer to CRR | - | - | 2 759 032 | 2 759 032 | (2 759 032) | - |
| Surplus / (deficit) for the period | - | - | - | - | (5 274 550) | (5 274 550) |
| Balance at 30 June 2019 | | | 73 832 | 73 832 | (10 624 331) | (10 550 499) |

| Namakwa District Municipality CASH FLOW STATEMENT as at 30 June 2019 | | | |
|--|------|--------------------|-------------------|
| | Note | 2019 R | 2018 R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 63 777 053 | 50 989 270 |
| Taxation - Property Rates | | 82 908 | 89 723 |
| Sales of goods and services | | - | - |
| Grants | | 55 547 000 | 44 084 000 |
| Interest received | | 1 326 051 | 1 222 292 |
| Other receipts | | 6 821 093 | 5 593 255 |
| Payments | | 64 344 343 | 47 372 172 |
| Employee costs | | 39 336 883 | 35 652 720 |
| Suppliers | | 24 977 154 | 11 683 943 |
| Interest paid | | 30 306 | 35 509 |
| Other payments | | | |
| Net cash flows from operating activities | 30 | (567 290) | 3 617 098 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | | (3 770 026) | (101 134) |
| Purchase of Intangible Assets | | (90 048) | (15 301) |
| Proceeds from disposal of assets | | 88 993 | 15 682 |
| Decrease in Investments | | (1 804) | (1 804) |
| Net cash flows from investing activities | | (3 772 885) | (102 558) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Loans raised | | 418 265 | - |
| Repayment of borrowings | | (145 062) | (138 186) |
| Net cash flows from financing activities | | 273 203 | (138 186) |
| Net increase / (decrease) in net cash and cash equivalents | | (4 066 971) | 3 376 355 |
| Net cash and cash equivalents at beginning of period | | 11 604 468 | 8 228 114 |
| Net cash and cash equivalents at end of period | 31 | 7 537 497 | 11 604 468 |

Namakwa District Municipality
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2019

| Notes | Original Budget | Budget Adjustments | Final Adjustment Budget | Shifting of Funds | Virement | Final Budget | Actual Outcome | Actual Outcome as % of Final Budget |
|--|-----------------|----------------------------------|-------------------------|--------------------------|----------------------------------|--------------|----------------|-------------------------------------|
| | | (i.t.o. s28 and s31 of the MFMA) | | (i.t.o. s31 of the MFMA) | (i.t.o. Council approved by-law) | | 2019 | |
| | R | R | R | R | R | R | R | % |
| ASSETS | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash | 44.2.1 | 10 641 958 | (670 102) | 9 971 856 | - | 9 971 856 | 1 352 582 | -86.44% |
| Call Investment Deposits | | - | - | - | - | - | 6 184 915 | 100.00% |
| Consumer Debtors | | - | 640 000 | 640 000 | - | 640 000 | 2 221 529 | 247.11% |
| Other Debtors | 44.2.1 | 640 000 | (640 000) | - | - | - | - | 0.00% |
| Current Portion of long-term receivables | | - | - | - | - | - | - | - |
| Inventory | | - | - | - | - | - | - | - |
| Total Current Assets | 44.2.1 | 11 281 958 | (670 102) | 10 611 856 | - | 10 611 856 | 9 759 026 | -8.04% |
| Non-Current Assets | | | | | | | | |
| Long-term receivables | | - | - | - | - | - | - | - |
| Investments | | - | - | - | - | - | - | - |
| Investment Property | 44.2.2 | 97 650 | - | 97 650 | - | 97 650 | 81 563 | -16.47% |
| Investment in Associates | | - | - | - | - | - | - | - |
| Property, Plant and Equipment | 44.2.2 | 9 607 780 | 880 000 | 10 487 780 | - | 10 487 780 | 8 692 118 | -17.12% |
| Agricultural Assets | | - | - | - | - | - | - | - |
| Biological Assets | | - | - | - | - | - | - | - |
| Intangible Assets | 44.2.2 | 573 440 | - | 573 440 | - | 573 440 | 238 541 | -58.40% |
| Other Non-Current Assets | | - | - | - | - | - | - | - |
| Total Non-Current Assets | 44.2.2 | 10 278 870 | 880 000 | 11 158 870 | - | 11 158 870 | 9 012 222 | -19.24% |
| TOTAL ASSETS | | 21 560 828 | 209 898 | 21 770 726 | - | 21 770 726 | 18 771 249 | -13.78% |
| LIABILITIES | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Bank Overdraft | | - | - | - | - | - | - | - |
| Borrowing | 44.2.3 | - | - | - | - | - | 130 790 | 100.00% |
| Consumer Deposits | | - | - | - | - | - | - | - |
| Trade and Other Payables | 44.2.3 | 1 937 236 | - | 1 937 236 | - | 1 937 236 | 5 161 137 | 166.42% |
| Provisions | 44.2.3 | 2 144 838 | - | 2 144 838 | - | 2 144 838 | 4 107 462 | 91.50% |
| Total Current Liabilities | 44.2.3 | 4 082 074 | - | 4 082 074 | - | 4 082 074 | 9 399 389 | 130.26% |
| Non-Current Liabilities | | | | | | | | |
| Borrowing | 44.2.4 | - | - | - | - | - | 233 635 | 100.00% |
| Provisions | 44.2.4 | 19 157 645 | - | 19 157 645 | - | 19 157 645 | 19 688 724 | 2.77% |
| Total Non-Current Liabilities | 44.2.4 | 19 157 645 | - | 19 157 645 | - | 19 157 645 | 19 922 359 | 3.99% |
| TOTAL LIABILITIES | | 23 239 719 | - | 23 239 719 | - | 23 239 719 | 29 321 747 | 26.17% |
| NET ASSETS | | | | | | | | |
| Accumulated Surplus/(Deficit) | 44.2.5 | (1 678 891) | 209 898 | (1 468 993) | - | (1 468 993) | (10 624 331) | 623.24% |
| Reserves | 44.2.5 | - | - | - | - | - | 73 832 | 100.00% |
| Minorities' Interests | | - | - | - | - | - | - | - |
| TOTAL NET ASSETS | 44.2.5 | (1 678 891) | 209 898 | (1 468 993) | - | (1 468 993) | (10 550 499) | 618.21% |

Namakwa District Municipality
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2019

| Notes | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final Adjustment Budget | Shifting of Funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved by-law) | Final Budget | Actual Outcome | Actual Outcome as % of Final Budget |
|--|-----------------|---|-------------------------|--|---|--------------|----------------|-------------------------------------|
| | R | R | R | R | R | R | 2019 R | % |
| | | | | | | | | |
| REVENUE | | | | | | | | |
| Property Rates | - | - | - | - | - | - | - | - |
| Property Rates - Penalties & Collection Charges | - | - | - | - | - | - | - | - |
| Service Charges - Electricity Revenue | - | - | - | - | - | - | - | - |
| Service Charges - Water Revenue | - | - | - | - | - | - | - | - |
| Service Charges - Sanitation Revenue | - | - | - | - | - | - | - | - |
| Service Charges - Refuse Revenue | - | - | - | - | - | - | - | - |
| Service Charges - Other Revenue | - | - | - | - | - | - | - | - |
| 44.2.6 Rental of Facilities and Equipment | 937 511 | - | 937 511 | - | - | 937 511 | 933 397 | -0.44% |
| 44.2.6 Interest Earned - External Investments | 3 020 000 | - | 3 020 000 | - | - | 3 020 000 | 1 326 051 | -56.09% |
| 44.2.6 Interest Earned - Outstanding Debtors | 60 000 | - | 60 000 | - | - | 60 000 | 82 908 | 38.18% |
| Dividends Received | - | - | - | - | - | - | - | - |
| Fines | 5 000 | - | 5 000 | - | - | 5 000 | - | -100.00% |
| Licences and Permits | - | - | - | - | - | - | - | - |
| 44.2.6 Agency Services | 9 001 568 | - | 9 001 568 | - | - | 9 001 568 | - | -100.00% |
| 44.2.6 Transfers Recognised - Operational | 51 376 000 | 4 146 565 | 55 522 565 | - | - | 55 522 565 | 55 195 884 | -0.59% |
| 44.2.6 Other Revenue | 2 032 172 | 2 250 236 | 4 282 408 | - | - | 4 282 408 | 6 301 234 | 47.14% |
| 44.2.6 Gains on Disposal of PPE | - | - | - | - | - | - | - | - |
| 44.2.6 Total Revenue (excluding capital transfers and contributions) | 66 432 251 | 6 396 801 | 72 829 052 | - | - | 72 829 052 | 63 839 474 | -12.34% |
| EXPENDITURE | | | | | | | | |
| Employee Related Costs | 38 312 422 | 794 195 | 39 106 617 | - | - | 39 106 617 | 35 199 597 | -9.99% |
| Remuneration of Councillors | 3 109 720 | 121 392 | 3 231 112 | - | - | 3 231 112 | 3 118 533 | -3.48% |
| Debt Impairment | - | - | - | - | - | - | (596 679) | -100.00% |
| Actuarial losses | - | - | - | - | - | - | 3 262 797 | 100.00% |
| Depreciation and Asset Impairment | 1 373 400 | - | 1 373 400 | - | - | 1 373 400 | 1 617 127 | 17.75% |
| 44.2.7 Finance Charges | 100 255 | 167 649 | 267 904 | - | - | 267 904 | 1 588 878 | 493.08% |
| 44.2.7 Bulk Purchases | - | - | - | - | - | - | - | - |
| 44.2.7 Other Materials | 558 363 | (36 179) | 522 184 | - | - | 522 184 | - | -100.00% |
| 44.2.7 Contracted Services | 14 720 711 | 4 622 430 | 19 343 141 | - | - | 19 343 141 | 9 344 953 | -51.69% |
| 44.2.7 Transfers and Grants | 120 000 | 224 990 | 344 990 | - | - | 344 990 | 2 998 435 | 769.14% |
| 44.2.7 Other Expenditure | 11 752 777 | 962 426 | 12 715 203 | - | - | 12 715 203 | 12 506 345 | -1.64% |
| 44.2.7 Loss on Disposal of PPE | - | - | - | - | - | - | 74 038 | 100.00% |
| 44.2.7 Total Expenditure | 70 047 648 | 6 856 903 | 76 904 551 | - | - | 76 904 551 | 69 114 024 | -10.13% |

| | | | | | | | | | |
|--|-------------|-----------|-------------|---|---|-------------|-------------|----------|--|
| Surplus/(Deficit) | | | | | | | | | |
| Transfers Recognised - Capital | | | | | | | | | |
| Contributions Recognised - Capital | | | | | | | | | |
| Contributed Assets | | | | | | | | | |
| | (3 615 397) | (460 102) | (4 075 499) | - | - | (4 075 499) | (5 274 550) | 29.42% | |
| | - | 670 000 | 670 000 | - | - | 670 000 | - | -100.00% | |
| | - | - | - | - | - | - | - | - | |
| | - | - | - | - | - | - | - | - | |
| Surplus/(Deficit) after Capital Transfers & Contributions | (3 615 397) | 209 898 | (3 405 499) | - | - | (3 405 499) | (5 274 550) | 54.88% | |
| Taxation | - | - | - | - | - | - | - | - | |
| Surplus/(Deficit) after Taxation | (3 615 397) | 209 898 | (3 405 499) | - | - | (3 405 499) | (5 274 550) | 54.88% | |
| Attributable to Minorities | - | - | - | - | - | - | - | - | |
| Surplus/(Deficit) Attributable to Municipality | (3 615 397) | 209 898 | (3 405 499) | - | - | (3 405 499) | (5 274 550) | 54.88% | |
| Share of Surplus/(Deficit) of Associate | - | - | - | - | - | - | - | - | |
| Surplus/(Deficit) for the year | (3 615 397) | 209 898 | (3 405 499) | - | - | (3 405 499) | (5 274 550) | 54.88% | |

Namakwa District Municipality
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT
for the year ended 30 June 2019

| Notes | Original Budget | | Budget Adjustments | | Final Adjustment Budget | | Shifting of Funds | | Virement | | Final Budget | | Actual Outcome | | Actual Outcome as % of Final Budget | |
|--|-----------------|--------------|--------------------|----------------------------------|-------------------------|--|-------------------|--------------------------|----------|----------------------------------|--------------|--|----------------|------|-------------------------------------|--|
| | R | | R | (i.t.o. s28 and s31 of the MFMA) | R | | R | (i.t.o. s31 of the MFMA) | R | (i.t.o. Council approved by-law) | R | | R | 2019 | % | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | | | | | |
| Ratepayers and other | 44.2.8 | 11 917 395 | 2 309 942 | | 14 227 337 | | | | | | 14 227 337 | | 6 904 001 | | -51.47% | |
| Government - Operating | 44.2.8 | 51 376 000 | 4 148 565 | | 55 522 565 | | | | | | 55 522 565 | | 54 813 452 | | -1.28% | |
| Government - Capital | 44.2.8 | - | 670 000 | | 670 000 | | | | | | 670 000 | | 733 548 | | 9.48% | |
| Interest | 44.2.8 | 3 079 705 | (59 705) | | 3 020 000 | | | | | | 3 020 000 | | 1 326 051 | | -56.09% | |
| Dividends | | - | - | | - | | | | | | - | | - | | - | |
| Payments | | | | | | | | | | | | | | | | |
| Suppliers and Employees | 44.2.8 | (69 263 121) | (6 364 010) | | (75 627 131) | | | | | | (75 627 131) | | (61 315 802) | | -18.92% | |
| Finance Charges | 44.2.8 | - | (267 904) | | (267 904) | | | | | | (267 904) | | (30 306) | | -88.69% | |
| Transfers and Grants | 44.2.8 | (120 000) | (224 990) | | (344 990) | | | | | | (344 990) | | (2 998 435) | | 769.14% | |
| Net Cash from/(used) Operating Activities | 44.2.8 | (3 010 021) | 209 898 | | (2 800 123) | | | | | | (2 800 123) | | (567 291) | | -79.74% | |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | | | | | |
| Proceeds on disposal of PPE | 44.2.9 | - | - | | - | | | | | | - | | 88 993 | | 100.00% | |
| Decrease/(Increase) in Non-Current Debtors | | - | - | | - | | | | | | - | | - | | - | |
| Decrease/(Increase) in Other Non-Current Receivables | | - | - | | - | | | | | | - | | - | | - | |
| Decrease/(Increase) in Non-Current Investments | 44.2.9 | - | - | | - | | | | | | - | | (1 804) | | -100.00% | |
| Payments | | | | | | | | | | | | | | | | |
| Capital Assets | 44.2.9 | (2 820 140) | (880 000) | | (3 700 140) | | | | | | (3 700 140) | | (3 880 074) | | 4.32% | |
| Net Cash from/(used) Investing Activities | 44.2.9 | (2 820 140) | (880 000) | | (3 700 140) | | | | | | (3 700 140) | | (3 772 885) | | 1.97% | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | | | | | |
| Short Term Loans | 44.2.10 | - | - | | - | | | | | | - | | - | | - | |
| Borrowing long term/refinancing | | - | - | | - | | | | | | - | | 418 265 | | 100.00% | |
| Increase/(Decrease) in Consumer Deposits | | - | - | | - | | | | | | - | | - | | - | |
| Payments | | | | | | | | | | | | | | | | |
| Repayment of Borrowing | 44.2.10 | (14 236) | - | | (14 236) | | | | | | (14 236) | | (145 062) | | 918.98% | |
| Net Cash from/(used) Financing Activities | 44.2.10 | (14 236) | - | | (14 236) | | | | | | (14 236) | | 273 203 | | -2019.11% | |
| NET INCREASE/(DECREASE) IN CASH HELD | | (5 844 397) | (670 102) | | (6 514 499) | | | | | | (6 514 499) | | (4 066 972) | | -37.57% | |
| Cash and Cash Equivalents at the year begin: | | 16 486 355 | - | | 16 486 355 | | | | | | 16 486 355 | | 11 804 468 | | -29.61% | |
| Cash and Cash Equivalents at the year end: | | 10 641 958 | (670 102) | | 9 971 856 | | | | | | 9 971 856 | | 7 537 496 | | -24.41% | |

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.2.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

| REFERENCE | TOPIC | EFFECTIVE DATE |
|-----------------------------------|--|----------------|
| GRAP 20 (Original – Jun 2011) | <p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.</p> | 1 April 2019 |
| GRAP 32 (Original – Aug 2013) | <p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2019 |
| GRAP 34 (Revised – April 2019) | <p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | Unknown |
| GRAP 35 | <u>Consolidated Financial Statements</u> | Unknown |

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

| | | |
|------------------------------------|--|--------------|
| (Revised – April 2019) | <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | |
| GRAP 36 (Revised – April 2019) | <p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | Unknown |
| GRAP 37 (Revised – April 2019) | <p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | Unknown |
| GRAP 38 (Revised - April 2019) | <p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | Unknown |
| GRAP 104 (Revised – April 2019) | <p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p> | Unknown |
| GRAP 108 (Original – Sept 2013) | <p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p> | 1 April 2019 |
| GRAP 109 | <u>Accounting by Principles and Agents</u> | 1 April 2019 |

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

| | | |
|----------|--|--------------|
| | <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | |
| GRAP 110 | <p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p> | 1 April 2020 |
| IGRAP 17 | <p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p> | 1 April 2019 |
| IGRAP 18 | <p><u>Recognition and Derecognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.</p> | 1 April 2019 |
| IGRAP 19 | <p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No such transactions or events are expected in the foreseeable future.</p> | 1 April 2019 |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.14. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.15.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

| <u>Land and Buildings</u> | <u>Years</u> |
|------------------------------------|---------------------|
| Land | Indefinite |
| Buildings | 10-50 |
| <u>Infrastructure</u> | |
| Roads and Streets | 10-30 |
| Storm Water | 20 |
| Electricity | 20-30 |
| Water | 15-20 |
| Sanitation | 15-20 |
| Waste Management | 30 |
| <u>Community</u> | |
| Recreation Facilities | 20-30 |
| Housing | 20-30 |
| Community Halls | 20-30 |
| Libraries | 20-30 |
| Parks and Gardens | 20-30 |
| Clinics | 20-30 |
| Security and Policing | 5 |
| <u>Finance lease assets</u> | |
| Office equipment | 1-3 |
| Other Assets | 1-5 |

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Other

| | |
|--------------------------------------|------|
| Motor Vehicles | 3-15 |
| Furniture and other Office equipment | 3-25 |
| Plant and Equipment | 3-22 |
| Computer equipment | 3-15 |
| Other Buildings | 50 |

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.16. INTANGIBLE ASSETS

1.16.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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1.16.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <u>Intangible Assets</u> | Years |
|---------------------------------|--------------|
| Computer Software | 7 – 12 |
| Computer Software Licenses | 7 – 12 |

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.16.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INVESTMENT PROPERTY

1.17.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings | 30 |

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with

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GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

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(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

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recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

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- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been

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recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, and materials and supplies are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories

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arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial

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assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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1.21.2.4. Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing

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involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use

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of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions

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attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

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Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.24. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 13 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

NAMAKWA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|-----------|------------------|-------------------|
| 2 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents consist of the following: | | | |
| Cash on hand | | 500 | 500 |
| Cash at bank | | 1 352 082 | 799 699 |
| Call deposits | | 6 184 915 | 10 669 152 |
| Correction of Error | Note 29.3 | - | 135 117 |
| | | 7 537 497 | 11 604 468 |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R 1 472 004 are held to fund the Unspent Conditional Grants (2018: R 920 898).

The Municipality has the following bank accounts: -

Current Account (Current Primary Bank Account)

| | | |
|---|-----------|---------|
| Nedbank Limited - Account Number 1140945939 (Primary Bank Account): | - | - |
| Cash book balance at beginning of year | 799 699 | 568 575 |
| Cash book balance at end of year | 1 352 082 | 799 699 |
| Bank statement balance at beginning of year | 913 473 | 573 148 |
| Bank statement balance at end of year | 1 352 082 | 913 473 |

Current Account (Previous Primary Bank Account)

| | | |
|---|---|---------|
| ABSA Bank Limited - Account Number 2210000014 (Primary Bank Account): | - | - |
| Cash book balance at beginning of year | - | 450 092 |
| Cash book balance at end of year | - | - |
| Bank statement balance at beginning of year | - | 450 092 |
| Bank statement balance at end of year | - | - |

Call Investment Deposits

| | | |
|---|------------------|-------------------|
| Nedbank Limited - Account Number 03/7662031837 (Capital Replacement Reserve): | 200 484 | 151 000 |
| Nedbank Private Wealth - Account Number NAMA001/83 (Call Deposit): | 1 947 333 | 6 668 633 |
| Nedbank Limited - Account Number 03/7662031934 (Call Deposit): | 648 963 | 648 963 |
| Nedbank Limited - Account Number 03/7662031969 (Call Deposit): | - | 40 448 |
| Nedbank Limited - Account Number 03/7662031896 (Leave Reserve): | 1 076 780 | 898 084 |
| Nedbank Limited - Account Number 03/7662031799 (Finance Management Grant): | 1 026 | 69 838 |
| Nedbank Limited - Account Number 03/7662031845 (Municipal System Improvement Grant): | 1 359 | 1 359 |
| Nedbank Limited - Account Number 03/7662031888 (Swartzkop Sportgrounds): | - | 16 565 |
| Nedbank Limited - Account Number 03/7662031780 (EPWP): | 1 070 | 1 070 |
| Nedbank Limited - Account Number 03/7662031829 (IDP): | 2 001 | 2 001 |
| Nedbank Limited - Account Number 03/7662031810 (Border Fencing): | - | 54 239 |
| Nedbank Limited - Account Number 03/7662031950 (Depositor Plus): | 167 220 | 117 006 |
| Nedbank Limited - Account Number 03/7662031926 (RRAMS): | 7 168 | 129 334 |
| Nedbank Limited - Account Number 03/7662031802 (Fire Equipment Grant): | 11 733 | 11 733 |
| Nedbank Limited - Account Number 03/7662031977 (PIMMS): | 2 255 | 2 255 |
| Nedbank Limited - Account Number 03/7662031772 (Electronic Filing System): | 4 798 | 4 798 |
| Nedbank Limited - Account Number 03/7662031853 (Training Fund SETA): | 3 842 | 3 842 |
| Nedbank Limited - Account Number 03/7662031918 (Work for Water): | 664 963 | 1 226 683 |
| Nedbank Limited - Account Number 03/7662031764 (Dept. Agriculture, Forestry and Fisheries): | - | 3 220 |
| Nedbank Limited - Account Number 03/7662031756 (Civil Defence Grant): | 393 529 | 704 372 |
| Nedbank Limited - Account Number 03/7662031942 (Khotso Pula Nala): | 1 050 393 | 48 828 |
| Sub-total for Call Investment Deposits | 6 184 915 | 10 804 269 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|------|------------|------------|
| <i>Total Call Investment Deposits are as follows:</i> | | | |
| Cash book balance at beginning of year | | 10 804 269 | 7 209 414 |
| Cash book balance at end of year | | 6 184 915 | 10 804 269 |
| Bank statement balance at beginning of year | | 10 804 258 | 7 239 393 |
| Bank statement balance at end of year | | 6 184 904 | 10 804 258 |
| <i>Details of Call Investment Deposits are as follows:</i> | | | |
| Nedbank Limited - Account Number 03/7662031837 (Capital Replacement Reserve): | | | |
| Cash book balance at beginning of year | | 151 000 | 16 651 |
| Cash book balance at end of year | | 200 484 | 151 000 |
| Bank statement balance at beginning of year | | 151 000 | 16 740 |
| Bank statement balance at end of year | | 200 484 | 151 000 |
| Nedbank Private Wealth - Account Number NAMA001/83 (Call Deposit): | | | |
| Cash book balance at beginning of year | | 6 668 633 | 2 331 907 |
| Cash book balance at end of year | | 1 947 333 | 6 668 633 |
| Bank statement balance at beginning of year | | 6 668 633 | 2 331 907 |
| Bank statement balance at end of year | | 1 947 333 | 6 668 633 |
| Nedbank Limited - Account Number 03/7662031934 (Call Deposit): | | | |
| Cash book balance at beginning of year | | 648 963 | 648 963 |
| Cash book balance at end of year | | 648 963 | 648 963 |
| Bank statement balance at beginning of year | | 648 963 | 650 935 |
| Bank statement balance at end of year | | 648 963 | 648 963 |
| Nedbank Limited - Account Number 03/7662031969 (Call Deposit): | | | |
| Cash book balance at beginning of year | | 40 448 | 37 846 |
| Cash book balance at end of year | | - | 40 448 |
| Bank statement balance at beginning of year | | 40 448 | 37 846 |
| Bank statement balance at end of year | | - | 40 448 |
| Nedbank Limited - Account Number 03/7662031896 (Leave Reserve): | | | |
| Cash book balance at beginning of year | | 898 084 | 903 280 |
| Cash book balance at end of year | | 1 076 780 | 898 084 |
| Bank statement balance at beginning of year | | 898 084 | 907 638 |
| Bank statement balance at end of year | | 1 076 780 | 898 084 |
| Nedbank Limited - Account Number 03/7662031799 (Finance Management Grant): | | | |
| Cash book balance at beginning of year | | 69 838 | 1 297 |
| Cash book balance at end of year | | 1 026 | 69 838 |
| Bank statement balance at beginning of year | | 69 838 | 1 599 |
| Bank statement balance at end of year | | 1 026 | 69 838 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|------|-----------|-----------|
| <i>Nuweveld Co-op (Members Interest Fund):</i> | | | |
| Cash book balance at beginning of year | | - | 1 804 |
| Cash book balance at end of year | | - | - |
| Bank statement balance at beginning of year | | - | 1 804 |
| Bank statement balance at end of year | | - | - |
| <i>Nedbank Limited - Account Number 03/7662031845 (Municipal System Improvement Grant):</i> | | | |
| Cash book balance at beginning of year | | 1 359 | 1 359 |
| Cash book balance at end of year | | 1 359 | 1 359 |
| Bank statement balance at beginning of year | | 1 359 | 1 441 |
| Bank statement balance at end of year | | 1 359 | 1 359 |
| <i>Nedbank Limited - Account Number 03/7662031888 (Swartzkop Sportgrounds):</i> | | | |
| Cash book balance at beginning of year | | 16 565 | 16 565 |
| Cash book balance at end of year | | - | 16 565 |
| Bank statement balance at beginning of year | | 16 565 | 16 645 |
| Bank statement balance at end of year | | - | 16 565 |
| <i>Nedbank Limited - Account Number 03/7662031780 (EPWP):</i> | | | |
| Cash book balance at beginning of year | | 1 070 | 288 571 |
| Cash book balance at end of year | | 1 070 | 1 070 |
| Bank statement balance at beginning of year | | 1 070 | 292 116 |
| Bank statement balance at end of year | | 1 070 | 1 070 |
| <i>Nedbank Limited - Account Number 03/7662031829 (IDP):</i> | | | |
| Cash book balance at beginning of year | | 2 001 | 2 001 |
| Cash book balance at end of year | | 2 001 | 2 001 |
| Bank statement balance at beginning of year | | 2 001 | 2 023 |
| Bank statement balance at end of year | | 2 001 | 2 001 |
| <i>Nedbank Limited - Account Number 03/7662031926 (RRAMS):</i> | | | |
| Cash book balance at beginning of year | | 129 334 | 1 345 870 |
| Cash book balance at end of year | | 7 168 | 129 334 |
| Bank statement balance at beginning of year | | 129 334 | 1 353 579 |
| Bank statement balance at end of year | | 7 168 | 129 334 |
| <i>Nedbank Limited - Account Number 03/7662031810 (Border Fencing):</i> | | | |
| Cash book balance at beginning of year | | 54 239 | 54 239 |
| Cash book balance at end of year | | - | 54 239 |
| Bank statement balance at beginning of year | | 54 239 | 54 501 |
| Bank statement balance at end of year | | - | 54 239 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|-----------|-----------|
| <i>Nedbank Limited - Account Number 03/7662031950 (Depositor Plus):</i> | | | |
| Cash book balance at beginning of year | | 117 006 | 109 479 |
| Cash book balance at end of year | | 167 220 | 117 006 |
| Bank statement balance at beginning of year | | 117 006 | 109 479 |
| Bank statement balance at end of year | | 167 220 | 117 006 |
| <i>Nedbank Limited - Account Number 03/7662031802 (Fire Equipment Grant):</i> | | | |
| Cash book balance at beginning of year | | 11 733 | 47 189 |
| Cash book balance at end of year | | 11 733 | 11 733 |
| Bank statement balance at beginning of year | | 11 733 | 47 416 |
| Bank statement balance at end of year | | 11 733 | 11 733 |
| <i>Nedbank Limited - Account Number 03/7662031977 (PIMMS):</i> | | | |
| Cash book balance at beginning of year | | 2 255 | 2 255 |
| Cash book balance at end of year | | 2 255 | 2 255 |
| Bank statement balance at beginning of year | | 2 244 | 2 266 |
| Bank statement balance at end of year | | 2 244 | 2 244 |
| <i>Nedbank Limited - Account Number 03/7662031772 (Electronic Filing System):</i> | | | |
| Cash book balance at beginning of year | | 4 798 | 4 798 |
| Cash book balance at end of year | | 4 798 | 4 798 |
| Bank statement balance at beginning of year | | 4 798 | 4 821 |
| Bank statement balance at end of year | | 4 798 | 4 798 |
| <i>Nedbank Limited - Account Number 03/7662031853 (Training Fund SETA):</i> | | | |
| Cash book balance at beginning of year | | 3 842 | 3 842 |
| Cash book balance at end of year | | 3 842 | 3 842 |
| Bank statement balance at beginning of year | | 3 842 | 3 860 |
| Bank statement balance at end of year | | 3 842 | 3 842 |
| <i>Nedbank Limited - Account Number 03/7662031918 (Work for Water):</i> | | | |
| Cash book balance at beginning of year | | 1 226 683 | 24 357 |
| Cash book balance at end of year | | 664 963 | 1 226 683 |
| Bank statement balance at beginning of year | | 1 226 683 | 24 357 |
| Bank statement balance at end of year | | 664 963 | 1 226 683 |
| <i>Nedbank Limited - Account Number 03/7662031764 (Dept. Agriculture, Forestry and Fisheries):</i> | | | |
| Cash book balance at beginning of year | | 3 220 | 3 220 |
| Cash book balance at end of year | | - | 3 220 |
| Bank statement balance at beginning of year | | 3 220 | 3 236 |
| Bank statement balance at end of year | | - | 3 220 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|------|------------------|-------------------|
| Nedbank Limited - Account Number 03/7662031756 (Civil Defence Grant): | | | |
| Cash book balance at beginning of year | | 704 372 | 472 144 |
| Cash book balance at end of year | | 393 529 | 704 372 |
| Bank statement balance at beginning of year | | 704 372 | 475 612 |
| Bank statement balance at end of year | | 393 529 | 704 372 |
| Nedbank Limited - Account Number 03/7662031942 (Khotso Pula Nala): | | | |
| Cash book balance at beginning of year | | 48 828 | 891 779 |
| Cash book balance at end of year | | 1 050 393 | 48 828 |
| Bank statement balance at beginning of year | | 48 828 | 899 571 |
| Bank statement balance at end of year | | 1 050 393 | 48 828 |
| Cash on hand | | 500 | 500 |
| Total cash and cash equivalents | | 7 537 497 | 11 604 468 |
| 3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |
| Property Rentals | | 958 139 | 1 007 377 |
| | | 958 139 | 1 007 377 |
| Less: Provision for bad debts | | (694 276) | (604 090) |
| Total Receivables from exchange transactions | | 263 863 | 403 287 |
| Reconciliation of Provision for Bad Debts | | | |
| Balance at beginning of year | | 604 090 | 485 553 |
| Contribution to provision | | 90 187 | 118 537 |
| Reversal of contribution | | - | - |
| Balance at end of year | | 694 276 | 604 090 |
| The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment. | | | |
| 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | | |
| Department of Roads and Public Works | | 4 429 472 | 5 183 419 |
| Sundry Debtor - Department Agriculture, Forestry and Fisheries | | 8 783 074 | 8 783 074 |
| Other Receivables | | 2 135 927 | 1 445 683 |
| | | 15 348 473 | 15 412 175 |
| Less: Provision for bad debts | | (13 670 845) | (14 357 710) |
| Total Receivables from non-exchange transactions | | 1 677 627 | 1 054 465 |
| The fair value of other receivables approximate their carrying value. | | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|-------------------|-------------------|
| <u>Reconciliation of Provision for Bad Debts</u> | | | |
| Balance at beginning of year | | 14 357 710 | 23 821 056 |
| Contribution to provision | | - | - |
| Reversal of contribution | | (686 865) | (9 463 345) |
| | | 13 670 845 | 14 357 710 |

The total amount of this provision consists of:

| | | | |
|--|--|-------------------|-------------------|
| Taxes | | - | - |
| Sundry Debtor - Department Agriculture, Forestry and Fisheries | | 8 783 074 | 8 783 074 |
| Department of Roads and Public Works | | 4 429 472 | 5 183 419 |
| Other receivables | | 458 299 | 391 218 |
| Total Provision for Bad Debts on Trade Receivables from non-exchange transactions | | 13 670 845 | 14 357 710 |

Ageing of amounts past due but not impaired:

| | | |
|--------------------|----------------|----------------|
| 1 month past due | 1 752 | 1 986 |
| 2+ months past due | 394 626 | 260 095 |
| | 396 379 | 262 082 |

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT

| 5.1 | 30 JUNE 2019 | Cost | | | | Accumulated Depreciation | | | | | | | Carrying Value | | |
|-----|------------------------------|-----------------|-----------|-----------|-----------|--|-----------------|--|--------------|-----------|-----------|---|----------------|-----------------|-----------|
| | | Opening Balance | Additions | Disposals | Transfers | Change in Accounting Policy/ Correction of Error | Opening Balance | Change in Accounting Policy/ Correction of Error | Depreciation | Disposals | Transfers | Impairment loss/Reversal of impairment loss | | Closing Balance | |
| | | | | | | | | | | | | | | | R |
| | Land | 2 084 458 | - | - | - | - | 2 084 458 | - | - | - | - | - | - | - | 2 084 458 |
| | Land | 2 084 458 | - | - | - | - | 2 084 458 | - | - | - | - | - | - | - | 2 084 458 |
| | Buildings | 7 796 630 | - | - | - | - | 7 796 630 | (6 864 626) | - | (158 584) | - | - | - | (6 823 209) | 973 421 |
| | Infrastructure | 4 839 | - | (4 839) | - | - | - | (4 837) | - | - | 4 837 | - | - | (0) | (0) |
| | Electricity mains | 1 325 230 | - | - | - | - | 1 325 230 | (601 396) | - | (135 510) | - | - | - | (736 906) | 588 324 |
| | Paving | 773 481 | 127 798 | (1 082) | - | - | 900 197 | (651 668) | - | (52 826) | 1 081 | - | - | (603 413) | 296 785 |
| | Security Measures | 2 103 550 | 127 798 | (5 921) | - | - | 2 225 427 | (1 157 900) | - | (188 336) | 5 918 | - | - | (1 340 319) | 885 109 |
| | Community Assets | 159 133 | - | - | - | - | 159 133 | (133 672) | - | (3 183) | - | - | - | (136 854) | 22 279 |
| | Civic Buildings | 159 133 | - | - | - | - | 159 133 | (133 672) | - | (3 183) | - | - | - | (136 854) | 22 279 |
| | Heritage Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Paintings & Artifacts | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Total carried forward | 12 143 772 | 127 798 | (5 921) | - | - | 12 265 648 | (7 956 198) | - | (350 102) | 5 918 | - | - | (8 300 382) | 3 955 266 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

| | Cost | | | | Accumulated Depreciation | | | | | | | | Carrying Value | |
|-----------------------|-----------------|-----------|-----------|-----------|--|-----------------|-----------------|--|--------------|-----------|-----------|---|----------------|-----------------|
| | Opening Balance | Additions | Disposals | Transfers | Change in Accounting Policy/ Correction of Error | Closing Balance | Opening Balance | Change in Accounting Policy/ Correction of Error | Depreciation | Disposals | Transfers | Impairment loss/Reversal of Impairment loss | | Closing Balance |
| | | | | | | | | | | | | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Total brought forward | 12 143 772 | 127 798 | (5 921) | - | - | 12 265 648 | (7 956 198) | - | (350 102) | 5 918 | - | - | (9 300 382) | 3 965 266 |
| Other Assets | | | | | | | | | | | | | | |
| Office Equipment | 3 148 965 | 145 567 | (224 985) | - | - | 3 069 547 | (2 743 408) | - | (158 133) | 222 832 | - | (1 324) | (2 678 033) | 391 514 |
| Furniture & Fittings | 1 885 500 | 27 344 | (38 490) | - | - | 1 874 354 | (1 613 484) | - | (108 027) | 38 394 | - | (174) | (1 683 291) | 191 063 |
| Bins and Containers | 22 077 | - | (824) | - | - | 21 253 | (19 944) | - | (826) | 820 | - | - | (19 949) | 1 304 |
| Plant and Equipment | 1 058 064 | 116 831 | (18 040) | - | - | 1 156 856 | (662 024) | - | (89 132) | 18 026 | - | (162) | (733 295) | 423 563 |
| Motor vehicles | 3 250 333 | 3 373 510 | (1) | - | - | 6 623 842 | (2 983 303) | - | (463 230) | - | - | (87 332) | (3 533 865) | 3 089 977 |
| Fire Equipment | 1 808 839 | - | (6 023) | - | - | 1 802 816 | (1 319 605) | - | (211 077) | 5 441 | - | - | (1 525 241) | 277 574 |
| Other Assets | (0) | - | - | - | - | (0) | (0) | - | (0) | 0 | - | - | (1) | (1) |
| | 11 173 778 | 3 663 252 | (288 382) | - | - | 14 548 667 | (9 341 769) | - | (1 028 424) | 285 513 | - | (88 993) | (10 173 673) | 4 374 995 |
| Finance Lease Assets | | | | | | | | | | | | | | |
| Office Equipment | 524 527 | 418 265 | (524 527) | - | - | 418 265 | (457 414) | - | (133 520) | 524 527 | - | - | (66 407) | 351 857 |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 524 527 | 418 265 | (524 527) | - | - | 418 265 | (457 414) | - | (133 520) | 524 527 | - | - | (66 407) | 351 857 |
| Total | 23 842 076 | 4 209 314 | (818 810) | - | - | 27 232 581 | (17 755 381) | - | (1 512 047) | 815 958 | - | (88 993) | (18 540 462) | 8 692 118 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| 30 JUNE 2018 | Cost | | | | | | | | | | Accumulated Depreciation | | | |
|------------------------------|-----------------|-----------|-----------|-----------|---|-----------------|-------------------|---|--------------|-----------|--------------------------|---|-----------------|----------------|
| | Opening Balance | Additions | Disposals | Transfers | Change in Accounting Policy/Correction of Error | Closing Balance | Operating Balance | Change in Accounting Policy/Correction of Error | Depreciation | Disposals | Transfers | Impairment loss/Reversal of impairment loss | Closing Balance | Carrying Value |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land | | | | | | | | | | | | | | |
| Land | 2 085 548 | - | (2 090) | - | - | 2 084 458 | - | - | - | - | - | - | - | 2 084 458 |
| | 2 085 548 | - | (2 090) | - | - | 2 084 458 | - | - | - | - | - | - | - | 2 084 458 |
| Buildings | | | | | | | | | | | | | | |
| Buildings | 7 796 630 | - | - | - | - | 7 796 630 | (6 513 534) | - | (153 180) | 2 089 | - | - | (6 664 626) | 1 132 004 |
| Infrastructure | | | | | | | | | | | | | | |
| Electricity mains | 4 839 | - | - | - | - | 4 839 | (4 104) | - | (184) | - | - | (550) | (4 837) | 2 |
| Paving | 1 325 230 | - | - | - | - | 1 325 230 | (465 886) | - | (135 510) | - | - | - | (601 396) | 723 834 |
| Security Measures | 777 643 | - | (4 161) | - | - | 773 481 | (423 295) | - | (131 649) | 4 161 | - | (886) | (551 668) | 221 814 |
| | 2 107 712 | - | (4 161) | - | - | 2 103 550 | (893 284) | - | (287 343) | 4 161 | - | (1 435) | (1 157 900) | 945 650 |
| Community Assets | | | | | | | | | | | | | | |
| Civic Buildings | 159 133 | - | - | - | - | 159 133 | (133 672) | - | - | - | - | - | (133 672) | 25 461 |
| | 159 133 | - | - | - | - | 159 133 | (133 672) | - | - | - | - | - | (133 672) | 25 461 |
| Heritage Assets | | | | | | | | | | | | | | |
| Paintings & Artifacts | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total carried forward | 12 150 023 | - | (6 251) | - | - | 12 143 772 | (7 540 490) | - | (420 523) | 6 250 | - | (1 435) | (7 956 198) | 4 187 574 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| to the year ended 30 June 2019 | | | | | | | | | | | | | |
|--------------------------------|-----------------|-----------|-----------|-----------|--|-----------------|--------------|-------------|-----------|---|-----------------|--------------|----------------|
| | Cost | | | | Accumulated Depreciation | | | | | | | | Carrying Value |
| | Opening Balance | Additions | Disposals | Transfers | Change in Accounting Policy/ Correction of Error | Opening Balance | Depreciation | Disposals | Transfers | Impairment losses/Reversal of impairment loss | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | |
| Total brought forward | 12 150 023 | - | (6 251) | - | - | 12 143 772 | (7 540 490) | (420 523) | 6 250 | - | (1 435) | (7 956 198) | 4 187 574 |
| Other Assets | | | | | | | | | | | | | |
| Office Equipment | 3 410 158 | 93 986 | (361 776) | - | 6 597 | 3 148 965 | (2 933 028) | (164 287) | 361 275 | - | (7 368) | (2 743 408) | 405 557 |
| Furniture & Fittings | 1 896 609 | 7 148 | (18 257) | - | - | 1 885 500 | (1 502 173) | (124 900) | 18 241 | - | (4 652) | (1 613 484) | 272 016 |
| Bins and Containers | 22 077 | - | - | - | - | 22 077 | (18 778) | (944) | - | - | (222) | (19 944) | 2 134 |
| Plant and Equipment | 1 089 504 | - | (11 440) | - | - | 1 069 064 | (566 134) | (105 234) | 11 340 | - | (1 997) | (662 024) | 396 040 |
| Motor vehicles | 3 250 333 | - | - | - | - | 3 250 333 | (2 703 328) | (279 975) | - | - | - | (2 983 303) | 267 029 |
| Fire Equipment | 1 821 135 | - | (12 296) | - | - | 1 808 839 | (1 100 239) | (231 655) | 12 296 | - | (8) | (1 319 605) | 489 234 |
| Other Assets | (0) | (0) | 0 | - | - | (0) | - | (0) | 0 | - | - | (0) | (0) |
| Finance Lease Assets | | | | | | | | | | | | | |
| Office Equipment | 11 469 816 | 101 134 | (403 769) | - | 6 597 | 11 173 778 | (8 823 679) | (906 984) | 403 151 | - | (14 246) | (9 341 789) | 1 832 010 |
| Other Assets | 535 926 | - | (11 399) | - | - | 524 527 | (352 814) | (116 000) | 11 399 | - | - | (457 414) | 67 112 |
| | 535 926 | - | - | - | - | 524 527 | (352 814) | (116 000) | 11 399 | - | - | (457 414) | 67 112 |
| Total | 24 155 764 | 101 134 | (421 419) | - | 6 597 | 23 842 076 | (16 716 982) | (1 443 517) | 420 801 | - | - | (17 755 381) | 6 086 696 |

5.3 Assets pledged as security

Leased Property, Plant and Equipment of R 351 857 is secured for leases as set out in Note 12.

5.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| | R | R |
| Employee related costs | - | - |
| Other materials | - | - |
| Contracted Services | 199 080 | 189 645 |
| Other Expenditure | - | - |
| Total Repairs and Maintenance | 199 080 | 189 645 |

5.5 The effect of the Change in Accounting estimates due to the review of useful lives are as follows:

| Increase / (Decrease) in depreciation of assets for the year | 2019 | 2020 | 2021 |
|--|-----------|---------|---------|
| | R | R | R |
| | (169 946) | 159 105 | 129 003 |

5.6 The municipality has no Property, Plant and Equipment which is in the process of being constructed or developed.

5.7 The municipality has no Property, Plant and Equipment that is taking a significantly longer period of time to completed than expected.

5.8 The municipality has no Property, Plant and Equipment where construction or development has been halted.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note

6 INTANGIBLE ASSETS

6.1 Reconciliation of carrying value

| | Intangible Assets R | Total R |
|--|------------------------|-------------|
| as at 1 July 2018 | 311 166 | 311 166 |
| Cost | 3 128 993 | 3 128 993 |
| Accumulated amortisation and impairment losses | (2 817 828) | (2 817 828) |
| Acquisitions | 90 048 | 90 048 |
| Amortisation | (91 487) | (91 487) |
| Carrying value of disposals | (71 185) | (71 185) |
| Cost | (198 728) | (198 728) |
| Accumulated amortisation | 127 543 | 127 543 |
| as at 30 June 2019 | 238 541 | 238 541 |
| Cost | 3 020 313 | 3 020 313 |
| Accumulated amortisation and impairment losses | (2 781 771) | (2 781 771) |

6.1 Reconciliation of carrying value

| | Intangible Assets R | Total R |
|--|------------------------|-------------|
| as at 1 July 2017 | 516 048 | 516 048 |
| Cost | 3 113 692 | 3 113 692 |
| Accumulated amortisation and impairment losses | (2 597 643) | (2 597 643) |
| Acquisitions | 15 301 | 15 301 |
| Amortisation | (220 184) | (220 184) |
| Carrying value of disposals | - | - |
| Cost | - | - |
| Accumulated amortisation | - | - |
| as at 30 June 2018 | 311 166 | 311 166 |
| Cost | 3 128 993 | 3 128 993 |
| Accumulated amortisation and impairment losses | (2 817 828) | (2 817 828) |

6.2 The effect of the Change in Accounting estimates due to the review of useful lives are as follows:

| | 2019 R | 2020 R | 2021 R |
|--|-----------|-----------|-----------|
| Increase / (Decrease) in depreciation of assets for the year | (78 195) | 65 384 | 59 218 |

6.3 No intangible asset were assed having an indefinite useful life.

6.4 There are no internally generated intangible assets at reporting date.

6.5 There are no intangible assets whose title is restricted.

6.6 There are no intangible assets pledged as security for liabilities.

6.7 There are no contractual commitments for the acquisition of intangible assets.

6.8 The municipality has no Intangbile assets which are in the process of being constructed or developed.

6.9 The municipality has no Intangbile assets that are taking a significantly longer period of time to competed than expected.

7.10 The municipality has no Intangbile assets where construction or development has been halted.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note

7 INVESTMENT PROPERTY

| | Investment property R | Other R | Total R |
|---|-----------------------------|------------|------------|
| 7.1 Reconciliation of carrying value | | | |
| as at 1 July 2018 | 95 156 | - | 95 156 |
| Cost | 679 678 | - | 679 678 |
| Accumulated depreciation and impairment losses | (584 522) | - | (584 522) |
| Acquisitions | - | - | - |
| Depreciation | (13 594) | - | (13 594) |
| as at 30 June 2019 | 81 563 | - | 81 563 |
| Cost | 679 678 | - | 679 678 |
| Accumulated depreciation and impairment losses | (598 115) | - | (598 115) |
| 7.1 Reconciliation of carrying value | | | |
| as at 1 July 2017 | 108 750 | - | 108 750 |
| Cost | 679 678 | - | 679 678 |
| Accumulated depreciation and impairment losses | (570 928) | - | (570 928) |
| Acquisitions | - | - | - |
| Depreciation | (13 594) | - | (13 594) |
| Transfers from / (to) Property, Plant and Equipment | - | - | - |
| Cost | - | - | - |
| Accumulated depreciation | - | - | - |
| Impairment loss/Reversal of impairment loss | - | - | - |
| Transfers | - | - | - |
| Other movements | - | - | - |
| as at 30 June 2018 | 95 156 | - | 95 156 |
| Cost | 679 678 | - | 679 678 |
| Accumulated depreciation and impairment losses | (584 522) | - | (584 522) |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note

| | 2019 R | 2018 R |
|---|-----------|-----------|
| 7.2 Revenue from Investment Property | | |
| Revenue derived from the rental of Investment Property | 516 588 | 513 387 |
| 7.3 Operating Expenditure incurred on properties: | | |
| Repairs and Maintenance | | |
| Revenue Generating | - | - |
| Improved Property | - | - |
| Unimproved Property | - | - |
| Non-revenue Generating | 24 383 | - |
| Improved Property | 24 383 | - |
| Unimproved Property | - | - |
| Total Repairs and Maintenance | 24 383 | - |
| Other Operating Expenditure | | |
| Revenue Generating | - | - |
| Improved Property | - | - |
| Unimproved Property | - | - |
| Non-revenue Generating | - | - |
| Improved Property | - | - |
| Unimproved Property | - | - |
| Total Operating Expenditure | - | - |
| 7.4 There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. | | |
| 7.5 There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements. | | |
| 7.6 The municipality has no Investment Property which is in the process of being constructed or developed. | | |
| 7.7 The municipality has no Investment Property that is taking a significantly longer period of time to completed than expected. | | |
| 7.8 The municipality has no Investment Property where construction or development has been halted. | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|--|------------------|------------------|
| 8 | TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| Trade creditors | | 566 206 | 296 022 |
| Payments received in advance | | 39 491 | 29 227 |
| Department of Environmental affairs - Work for Water | | 664 963 | - |
| Department Economic Development and Tourism | | 40 714 | - |
| Other creditors | | 2 239 375 | 3 861 156 |
| Correction of error | Note 29.2 | - | 78 150 |
| Total creditors | | 3 550 749 | 4 264 555 |

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The fair value of trade and other payables approximates their carrying amounts. All payables are unsecured.

| | | | |
|-----------------------------|-----------------------|----------------|----------------|
| 9 | VAT RECEIVABLE | | |
| VAT receivable | | 280 039 | 777 431 |
| Total VAT Receivable | | 280 039 | 777 431 |

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

| | | | |
|---|----------------------------------|------------------|------------------|
| 10 | CURRENT EMPLOYEE BENEFITS | | |
| Staff Bonuses | | 811 531 | 766 728 |
| Current Portion of Post Retirement Benefits (see note 14) | | 1 635 134 | 1 476 902 |
| Staff Leave | | 1 481 995 | 1 179 227 |
| Current portion of Long-Service provision (see note 14) | | 178 802 | 245 272 |
| Total Provisions | | 4 107 462 | 3 668 129 |

The movement in current provisions are reconciled as follows: -

| | Staff Bonuses | Staff Leave |
|----------------------------|----------------|------------------|
| as at 1 July 2018 | 766 728 | 1 179 227 |
| Contributions to provision | 1 504 640 | 443 687 |
| Expenditure incurred | (1 459 836) | (140 919) |
| as at 30 June 2019 | 811 531 | 1 481 995 |
| as at 1 July 2017 | 695 332 | 1 229 186 |
| Contributions to provision | 1 351 159 | 266 089 |
| Expenditure incurred | (1 279 763) | (316 049) |
| as at 30 June 2018 | 766 728 | 1 179 227 |

10.1 Staff Bonuses

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

10.2 Staff Leave

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|------------------|------------------|
| 11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | | |
| 11.1 Unspent Conditional Grants from other spheres of Government | | | |
| National Government Grants | | 7 468 | 133 970 |
| Provincial Government Grants | | 1 599 078 | 1 104 895 |
| Other Sources | | 3 842 | 20 407 |
| Total Unspent Conditional Grants and Receipts | | 1 610 388 | 1 259 271 |
| Non-current unspent conditional grants and receipts | | - | - |
| Current portion of unspent conditional grants and receipts | | 1 610 388 | 1 259 271 |
| | | 1 610 388 | 1 259 271 |

See Note 17 and appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

| | | | |
|--|------------------------------------|-------------------------------------|--|
| 12 FINANCE LEASE LIABILITY | | | |
| 2019 | | | |
| Amounts payable under finance leases | Minimum lease payment R | Future finance charges R | Present value of minimum lease payments R |
| Within one year | 185 901 | (55 110) | 130 790 |
| Within two to five years | 270 360 | (36 725) | 233 635 |
| | <u>456 261</u> | <u>(91 836)</u> | <u>364 425</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | (130 790) |
| | | | <u>233 635</u> |
| 2018 | | | |
| Amounts payable under finance leases | Minimum lease payment R | Future finance charges R | Present value of minimum lease payments R |
| Within one year | 96 544 | (5 322) | 91 222 |
| Within two to five years | - | - | - |
| | <u>96 544</u> | <u>(5 322)</u> | <u>91 222</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | (91 222) |
| | | | <u>0</u> |

The capitalised lease liability consist out of the following contracts:

| Supplier | Effective Interest rate | Annual Escalation |
|-------------------------|-------------------------|-------------------|
| Nashua - Copiers - 2019 | 15.38% | 0% |
| MTN - Tablets - 2018 | 15.38% | 0% |
| Supplier | Lease Term | Maturity Date |
| Nashua - Copiers | 3 Years | 31/01/2022 |
| MTN - Tablets | 2 Years | 31/08/2021 |

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Finance Leases are secured by property, plant and equipment - Note 5

| | | |
|--|-------------------|-------------------|
| 13 NON-CURRENT EMPLOYEE BENEFITS | | |
| Provision for post retirement health care benefits | 18 259 148 | 15 173 401 |
| Provision for long-service awards | 1 429 575 | 1 152 039 |
| Total Non-Current Employee Benefits | 19 688 724 | 16 325 440 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
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| Note | 2019 R | 2018 R |
|---|-------------------|-------------------|
| The movement in the non-current employee benefits is reconciled as follows: - | | |
| Provision for Post Retirement Health Care Benefits | | |
| Balance at the beginning of year | 16 650 303 | 17 255 523 |
| Contributions to provision | 1 735 319 | 1 776 746 |
| Expenditure incurred | (1 528 647) | (1 421 433) |
| Actuarial (Gains) / Losses | 3 037 307 | (960 533) |
| Transfer to current provisions | (1 635 134) | (1 476 902) |
| Balance at the end of year | 18 259 148 | 15 173 401 |

| | | |
|---|------------------|------------------|
| Provision for long-service awards: | | |
| Balance at the beginning of year | 1 397 311 | 1 239 536 |
| Contributions to provision | 237 923 | 225 764 |
| Expenditure incurred | (252 347) | (144 758) |
| Actuarial (Gains) / Losses | 225 490 | 76 769 |
| Transfer to current provisions | (178 802) | (245 272) |
| Balance at the end of year | 1 429 676 | 1 152 039 |

13.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | 2019 | 2018 |
|---|------------|------------|
| In-service (employee) members | 61 | 64 |
| In-service (employee) non-members | 4 | 5 |
| Continuation members (e.g. Retirees, widows, orphans) | 39 | 36 |
| Total Members | 104 | 105 |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2017 | 2016 | 2015 |
|---|------------|------------|------------|
| In-service (employee) members | 62 | 66 | 71 |
| In-service (employee) non-members | 5 | 6 | 6 |
| Continuation members (e.g. Retirees, widows, orphans) | 37 | 39 | 40 |
| Total Members | 104 | 111 | 117 |

The liability in respect of past service has been estimated to be as follows:

| | 2019 R | 2018 R |
|------------------------|-------------------|-------------------|
| In-service members | 4 597 621 | 3 943 718 |
| Continuation members | 15 296 661 | 12 706 585 |
| Total Liability | 19 894 282 | 16 650 303 |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 363 678, whereas the Interest Cost for the next year is estimated to be R1 678 357.

Key actuarial assumptions used:

| | % | % |
|---|------|------|
| i) Rate of interest | | |
| Discount rate | 8.79 | 9.11 |
| Health Care Cost Inflation Rate | 6.40 | 7.07 |
| Net Effective Discount Rate | 2.25 | 1.91 |
| ii) Mortality rates | | |
| The PA (90) -1 ultimate table, with a 1% improvement p.a from 2010 was used by the actuaries. | | |
| iii) Normal retirement age | | |
| The normal average retirement age for employees of the municipality is 62 years. | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
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| | Note | 2019 R | 2018 R |
|---|------|--------------------------|--------------------------|
| iv) Expected rate of salary increases | | | |
| 2019/2020 - CPI + 1,5% | | | |
| 2020/2021 - CPI + 1,25% | | | |
| The three-year Salary and Wage Collective Agreement ends on 30 June 2021. | | | |
| The amounts recognised in the Statement of Financial Position are as follows: | | | |
| | | 2019 R | 2018 R |
| Present value of fund obligations | | 19 894 282 | 16 650 303 |
| Fair value of plan assets | | - | - |
| | | <u>19 894 282</u> | <u>16 650 303</u> |
| Unrecognised past service cost | | - | - |
| Unrecognised actuarial gains/(losses) | | - | - |
| Present Value of unfunded obligations | | - | - |
| Net liability/(asset) | | <u>19 894 282</u> | <u>16 650 303</u> |

Reconciliation of present value of fund obligation:

| | | |
|--|--------------------------|--------------------------|
| Present value of fund obligation at the beginning of the year | 16 650 303 | 17 255 523 |
| Total expenses | 206 672 | 355 313 |
| Current service cost | 284 283 | 291 158 |
| Interest Cost | 1 451 036 | 1 485 588 |
| Benefits Paid | (1 528 647) | (1 421 433) |
| Actuarial (gains)/losses | 3 037 307 | (960 533) |
| Present value of fund obligation at the end of the year | <u>19 894 282</u> | <u>16 650 303</u> |

| | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) |
|--|--------------------------------------|---|----------------------|
| Sensitivity Analysis on the Accrued Liability on 30 June 2019 | | | |
| Assumption | | | |
| Central Assumptions | 4.598 | 15.297 | 19.895 |

The effect of movements in the assumptions are as follows:

| | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) |
|--|--------------------------------------|---|----------------------|
| Assumption | | | |
| Health care inflation | 5.547 | 16.606 | 22.153 |
| Health care inflation | 3.855 | 14.155 | 18.010 |
| Post-retirement mortality | 4.751 | 15.969 | 20.720 |
| Average retirement age | 4.939 | 15.297 | 20.236 |
| Continuation of membership at retirement | 3.988 | 15.297 | 19.285 |
| Assumption | | Change | % change |
| Health care inflation | | 1% | 11% |
| Health care inflation | | -1% | -9% |
| Post-retirement mortality | | -1 year | 4% |
| Average retirement age | | -1 year | 2% |
| Continuation of membership at retirement | | -10% | -3% |

| | Current Service Cost (R) | Interest Cost (R) | Total (R) |
|---|-----------------------------|----------------------|--------------|
| Sensitivity analysis on current service and interest cost for year ending 30 June 2020 | | | |
| Assumption | | | |
| Health care inflation | 455 400 | 1 876 600 | 2 332 000 |
| Health care inflation | 293 800 | 1 513 100 | 1 806 900 |
| Post-retirement mortality | 375 400 | 1 750 900 | 2 126 300 |
| Average retirement age | 398 300 | 1 708 300 | 2 106 600 |
| Continuation of membership at retirement | 318 900 | 1 624 700 | 1 943 600 |

| | Change | % change |
|--|---------|----------|
| Assumption | | |
| Health care inflation | 1% | 14% |
| Health care inflation | -1% | -12% |
| Post-retirement mortality | -1 year | 4% |
| Average retirement age | -1 year | 3% |
| Continuation of membership at retirement | -10% | -5% |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|-----------------------------|-------------------------|-------------------------|
| 13.2 Provision for Long Service Bonuses | | | |
| The Long Service Bonus plans are defined benefit plans. As at year end, 65 employees were eligible for Long Service Bonuses. | | | |
| The Current-service Cost for the ensuing year is estimated to be R 166 212 whereas the Interest Cost for the next year is estimated to be R 125 310. | | | |
| Key actuarial assumptions used: | | | |
| | | % | % |
| i) Rate of interest | | | |
| Discount rate | | 8.24 | 8.42 |
| General Salary Inflation (long-term) | | 5.61 | 6.05 |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | | 2.49 | 2.23 |
| ii) Expected rate of salary increases | | | |
| 2019/2020 - CPI + 1,5% | | | |
| 2020/2021 - CPI + 1,25% | | | |
| The three-year Salary and Wage Collective Agreement ends on 30 June 2021. | | | |
| The amounts recognised in the Statement of Financial Position are as follows: | | | |
| Present value of fund obligations | | 1 608 377 | 1 397 311 |
| Fair value of plan assets | | - | - |
| | | <u>1 608 377</u> | <u>1 397 311</u> |
| Unrecognised past service cost | | - | - |
| Unrecognised actuarial gains/(losses) | | - | - |
| Present Value of unfunded obligations | | - | - |
| Net liability/(asset) | | <u>1 608 377</u> | <u>1 397 311</u> |
| Reconciliation of present value of fund obligation: | | | |
| Present value of fund obligation at the beginning of the year | | 1 397 311 | 1 239 536 |
| Total expenses | | (14 424) | 81 006 |
| Current service cost | | 130 387 | 126 488 |
| Interest Cost | | 107 536 | 99 276 |
| Benefits Paid | | (262 347) | (144 758) |
| Actuarial (gains)/losses | | 225 490 | 76 769 |
| Present value of fund obligation at the end of the year | | <u>1 608 377</u> | <u>1 397 311</u> |
| Sensitivity Analysis on the Accrued Liability on 30 June 2019 | | | |
| Assumption | Change | Liability (Rm) | % change |
| Central assumptions | | 1.608 | |
| General earnings inflation | 1% | 1.722 | 7% |
| General earnings inflation | -1% | 1.506 | -6% |
| Average retirement age | -2 yrs | 1.504 | -6% |
| Average retirement age | 2 yrs | 1.761 | 9% |
| Withdrawal rates | -50% | 1.879 | 17% |
| Sensitivity analysis on current service and interest cost for year ending 30 June 2020 | | | |
| Assumption | Current Service Cost (R) | Interest Cost (R) | Total (R) |
| General earnings inflation | 180 300 | 134 700 | 315 000 |
| General earnings inflation | 153 600 | 116 900 | 270 500 |
| Average retirement age | 153 100 | 116 700 | 269 800 |
| Average retirement age | 175 600 | 137 900 | 313 500 |
| Withdrawal rates | 203 900 | 147 600 | 351 500 |
| Assumption | Change | % change | |
| General earnings inflation | 1% | 8% | |
| General earnings inflation | -1% | -7% | |
| Average retirement age | -2 years | -7% | |
| Average retirement age | 2 years | 8% | |
| Withdrawal rates | -50% | 21% | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|-----------|-------------------|-------------------|
| 13.3 Retirement funds | | | |
| <p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p> | | | |
| <u>LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)</u> | | | |
| <p>The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund has a funding level of 103,7% (30 June 2016 - 102,6%).</p> | | | |
| Contributions paid recognised in the Statement of Financial Performance | | 76 704 | 70 006 |
| <u>CAPE JOINT RETIREMENT FUND</u> | | | |
| <p>The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2016 - 100,5%).</p> | | | |
| Contributions paid recognised in the Statement of Financial Performance | | 2 079 547 | 1 866 175 |
| <u>DEFINED CONTRIBUTION FUNDS</u> | | | |
| <p>Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p> | | | |
| Contributions paid recognised in the Statement of Financial Performance | | 2019 R | 2018 R |
| Government Employees Pension Fund | | 103 281 | 95 200 |
| Municipal Councillors Pension Fund | | - | - |
| SAMWU National Provident Fund | | 831 342 | 818 855 |
| | | <u>934 623</u> | <u>914 055</u> |
| 14 RENTAL OF FACILITIES AND EQUIPMENT | | | |
| Rental of facilities | | 933 397 | 1 024 966 |
| Total rentals | | <u>933 397</u> | <u>1 024 966</u> |
| 15 INTEREST EARNED - EXTERNAL INVESTMENTS | | | |
| Financial assets | | 1 326 051 | 1 222 292 |
| Correction of Error | Note 29.5 | - | 135 117 |
| Total interest | | <u>1 326 051</u> | <u>1 222 292</u> |
| 16 INTEREST EARNED - OUTSTANDING RECEIVABLES | | | |
| Receivables from Non-Exchange Transactions | | 82 908 | 89 723 |
| Total interest | | <u>82 908</u> | <u>89 723</u> |
| 17 GOVERNMENT GRANTS AND SUBSIDIES | | | |
| <u>Unconditional</u> | | | |
| Equitable share | | 47 152 000 | 38 744 000 |
| <u>Conditional</u> | | | |
| Grants and Donations | | 8 043 884 | 7 298 639 |
| Total Government Grant and Subsidies | | <u>55 195 884</u> | <u>46 042 639</u> |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| Note | 2019 R | 2018 R |
|---|-------------------|-------------------|
| Disclosed as follows: | | |
| Government Grants and Subsidies - Operating | 54 462 336 | 46 016 220 |
| Government Grants and Subsidies - Capital | 733 548 | 26 418 |
| Total Government Grant and Subsidies | 55 195 884 | 46 042 639 |

| | 2019 R | 2018 R |
|---|-------------------|-------------------|
| Revenue recognised per vote as required by Section 123 (c) of the MFMA: | | |
| Equitable share - Administration | 3 724 000 | 3 317 000 |
| Executive & Council | 9 084 462 | 8 363 718 |
| Budget & Treasury | 39 674 997 | 31 754 274 |
| Corporate Services | - | - |
| Planning & Development | - | - |
| Health | - | - |
| Community & Social Services | 2 428 000 | 2 428 000 |
| Housing | - | - |
| Public Safety | 284 425 | 179 646 |
| Sport & Recreation | - | - |
| Environmental Protection | - | - |
| Waste Management | - | - |
| Waste Water Management | - | - |
| Road Transport | - | - |
| Water | - | - |
| Electricity | - | - |
| Total Government Grants and Subsidies | 55 195 884 | 46 042 639 |

17.1 Equitable Share

| | | |
|--|-------------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 3 724 000 | 3 317 000 |
| Conditions met - operating | (3 724 000) | (3 317 000) |
| Conditions met - capital | - | - |
| Conditions still to be met - remain liabilities (see note 11) | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

17.2 Local Government Financial Management Grant (FMG)

| | | |
|--|--------------|--------------|
| Balance unspent at beginning of year | 1 022 | 1 297 |
| Current year receipts | 1 320 000 | 1 250 000 |
| Conditions met - operating | (1 319 997) | (1 250 274) |
| Conditions met - capital | - | - |
| Conditions still to be met - remain liabilities (see note 11) | 1 026 | 1 022 |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

17.3 Municipal Systems Improvement Grant (MSIG)

| | | |
|--|--------------|--------------|
| Balance unspent at beginning of year | 1 359 | 1 359 |
| Current year receipts | - | - |
| Repaid to National Revenue Fund | - | - |
| Conditions met - operating | - | - |
| Conditions met - capital | - | - |
| Conditions still to be met - remain liabilities (see note 11) | 1 359 | 1 359 |

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|------|--------------|--------------|
| 17.4 RSC Levies Replacement Grant | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | 38 355 000 | 30 504 000 |
| Repaid to National Revenue Fund | | - | - |
| Conditions met - operating | | (38 355 000) | (30 504 000) |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | - | - |
| <i>This is an unconditional grant established to make provision for income for the District Municipalities after the RSC levies were terminated.</i> | | | |
| 17.5 Councillors Remuneration Grant | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | 2 645 000 | 2 495 000 |
| Conditions met - operating | | (2 645 000) | (2 495 000) |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | - | - |
| <i>This is an unconditional grant to co-funding the councillors remuneration.</i> | | | |
| 17.6 Planning and Implementation Management System | | | |
| Balance unspent at beginning of year | | 2 255 | 2 255 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | 2 255 | 2 255 |
| <i>This is a planning reserve and is utilised for planning purposes.</i> | | | |
| 17.7 Border Fencing | | | |
| Balance unspent at beginning of year | | 54 239 | 54 239 |
| Current year receipts | | - | - |
| Conditions met - operating | | (54 239) | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | - | 54 239 |
| <i>This grant was established to make provision for fencing next to public roads.</i> | | | |
| 17.8 Health Inspector Subsidy | | | |
| Balance unspent at beginning of year | | 2 428 000 | 2 428 000 |
| Current year receipts | | (2 428 000) | (2 428 000) |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | - | - |
| <i>This unconditional grant is part of the equitable share and services to subsidise municipal health care.</i> | | | |
| 17.9 Civil Defence Subsidy | | | |
| Balance unspent at beginning of year | | 677 954 | 472 144 |
| Current year receipts | | - | 350 000 |
| Conditions met - operating | | (137 288) | (117 772) |
| Conditions met - capital | | (147 136) | (26 418) |
| Conditions still to be met - remain liabilities (see note 11) | | 393 529 | 677 954 |
| <i>This conditional grant is to establish a disaster management centre.</i> | | | |
| 17.10 Expanded Public Works Program | | | |
| Balance unspent at beginning of year | | 1 070 | 70 301 |
| Current year receipts | | - | 1 000 000 |
| Repaid to National Revenue Fund | | - | (70 000) |
| Conditions met - operating | | - | (999 231) |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | 1 070 | 1 070 |
| <i>This grant service to establish work in local communities.</i> | | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
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| | Note | 2019 R | 2018 R |
|--|------|------------------|----------------|
| 17.11 Fire Equipment Grant | | | |
| Balance unspent at beginning of year | | 11 733 | 47 189 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | (35 456) |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>11 733</u> | <u>11 733</u> |
| <i>This grant is to assist local municipalities to render a fire service.</i> | | | |
| 17.12 Integrated Development Planning | | | |
| Balance unspent at beginning of year | | 2 001 | 2 001 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>2 001</u> | <u>2 001</u> |
| <i>This reserve assist the municipality to compile and maintain the Integrated Development Plan.</i> | | | |
| 17.13 Komaggas Road | | | |
| Balance unspent at beginning of year | | 1 | 1 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>1</u> | <u>1</u> |
| <i>This grant was used to build the Kommagas road.</i> | | | |
| 17.14 SA Projects | | | |
| Balance unspent at beginning of year | | 8 | 8 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>8</u> | <u>8</u> |
| <i>This grant is to create work programmes in local communities.</i> | | | |
| 17.15 NC Housing | | | |
| Balance unspent at beginning of year | | 304 273 | 304 273 |
| Current year receipts | | 300 000 | - |
| Conditions met - operating | | (468 718) | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>135 554</u> | <u>304 273</u> |
| <i>This grant is to establish a housing unit at the District level.</i> | | | |
| 17.16 Khotso Pula Nala | | | |
| Balance unspent at beginning of year | | 48 820 | 891 771 |
| Current year receipts | | 4 000 000 | - |
| Conditions met - operating | | (2 998 435) | (842 951) |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>1 050 385</u> | <u>48 820</u> |
| <i>This grant originated from the Department Roads and Public Works and is used for projects determined by the Department.</i> | | | |
| 17.17 Rural Roads Asset Management | | | |
| Balance unspent at beginning of year | | 129 334 | 1 345 870 |
| Current year receipts | | 2 904 000 | 2 898 000 |
| Repaid to National Revenue Fund | | (129 000) | (88 000) |
| Conditions met - operating | | (2 315 094) | (4 026 536) |
| Conditions met - capital | | (586 411) | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>2 829</u> | <u>129 334</u> |
| <i>This grant was established to make provision for the establishment of a roads network.</i> | | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|------------------|------------------|
| 17.18 Electronic Filing System | | | |
| Balance unspent at beginning of year | | 4 798 | 4 798 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>4 798</u> | <u>4 798</u> |
| <i>The grant was used to implement an electronic filing system.</i> | | | |
| 17.19 Swartzkop Sport Ground (Lotto) | | | |
| Balance unspent at beginning of year | | 16 565 | 16 565 |
| Current year receipts | | - | - |
| Conditions met - operating | | (16 565) | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>-</u> | <u>16 565</u> |
| <i>This grant was received to build a sports ground in Swartzkop.</i> | | | |
| 17.20 Training Reserve (SETA) | | | |
| Balance unspent at beginning of year | | 3 842 | 3 842 |
| Current year receipts | | - | - |
| Conditions met - operating | | - | - |
| Conditions met - capital | | - | - |
| Conditions still to be met - remain liabilities (see note 11) | | <u>3 842</u> | <u>3 842</u> |
| <i>This is the amount claimed back from SETA for training and is utilised for training.</i> | | | |
| 17.21 Total Grants | | | |
| Opening balance | | 1 259 271 | 3 217 910 |
| Grants received | | 55 676 000 | 44 242 000 |
| Repaid to National Revenue Fund | | (129 000) | (158 000) |
| Conditions met - Operating | | (54 462 336) | (46 016 220) |
| Conditions met - Capital | | (733 548) | (26 418) |
| Conditions still to be met/(Grant expenditure to be recovered) | | <u>1 610 387</u> | <u>1 259 271</u> |
| Disclosed as follows: | | | |
| Unspent Conditional Government Grants and Receipts | | 1 610 388 | 1 259 271 |
| Total | | <u>1 610 388</u> | <u>1 259 271</u> |
| 18 CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT | | | |
| Rural Roads Asset Management | | 417 138 | - |
| Northern Cape Tourism Agency | | 22 150 | - |
| Total Contributed Property, Plant and Equipment | | <u>439 288</u> | <u>-</u> |
| Disclosed as follows: | | | |
| Revenue from Non-Exchange Transactions | | 439 288 | - |
| Revenue from Exchange Transactions | | - | - |
| Total Contributed Property, Plant and Equipment | | <u>439 288</u> | <u>-</u> |
| 19 OPERATIONAL REVENUE | | | |
| Revenue from Exchange Transactions | | | |
| Income from Agency Services | | 126 261 | - |
| Services rendered to Department Environmental Affairs | | 2 708 720 | 4 030 812 |
| Services rendered to Construction Education and Training Authority | | 2 550 484 | - |
| Services rendered to Department Health | | 475 873 | - |
| Administration Fees | | 2 608 | 303 503 |
| Revenue from Non-Exchange Transactions | | <u>5 861 945</u> | <u>4 334 315</u> |
| Actuarial Gains | | - | 883 764 |
| Total Operational Revenue | | <u>5 861 945</u> | <u>5 218 079</u> |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|-------------------|-------------------|
| 20 EMPLOYEE RELATED COSTS | | | |
| Employee related costs - Salaries and Wages | | 24 580 882 | 21 956 955 |
| Employee related costs - Contributions for UIF, pensions and medical aids | | 4 672 791 | 4 209 429 |
| Travel, motor car, accommodation, subsistence and other allowances | | 2 710 160 | 2 489 197 |
| Housing benefits and allowances | | 557 060 | 536 904 |
| Overtime payments | | 315 706 | 297 722 |
| Performance and other bonuses | | 1 504 640 | 1 381 682 |
| Provision for leave | | 443 687 | 266 089 |
| Contribution to provision - Long Service Awards - Note 13 | | 130 387 | 126 488 |
| Contribution to provision - Post Retirement Medical - Note 13 | | 284 283 | 291 158 |
| Total Employee Related Costs | | 35 199 597 | 31 555 624 |
| Remuneration of the Municipal Manager - CJ Fortuin | | | |
| Annual Remuneration | | 937 017 | 808 289 |
| Performance- and other bonuses | | 34 380 | 47 908 |
| Leave payout | | 38 472 | 87 340 |
| Allowances | | 170 533 | 171 622 |
| Contributions to UIF, Medical and Pension Funds | | 151 057 | 141 957 |
| Total | | 1 331 459 | 1 257 116 |
| Remuneration of the Chief Finance Officer - R Datadin | | | |
| Annual Remuneration | | 908 954 | 840 281 |
| Performance- and other bonuses | | 44 380 | 41 480 |
| Allowances | | 152 669 | 152 052 |
| Contributions to UIF, Medical and Pension Funds | | 144 718 | 134 770 |
| Total | | 1 250 721 | 1 168 583 |
| Remuneration of Director: Corporate and Municipal Health Services - G Cloete | | | |
| Annual Remuneration | | 810 466 | 749 115 |
| Performance- and other bonuses | | 44 380 | 41 480 |
| Long service award | | 26 628 | - |
| Allowances | | 152 669 | 152 052 |
| Contributions to UIF, Medical and Pension Funds | | 97 645 | 91 381 |
| Total | | 1 131 788 | 1 034 029 |
| Remuneration of Director: Economic Development and Planning - J Loubser | | | |
| Annual Remuneration | | 803 317 | 751 672 |
| Performance- and other bonuses | | 66 768 | 62 400 |
| Allowances | | 122 778 | 114 108 |
| Contributions to UIF, Medical and Pension Funds | | 194 971 | 183 970 |
| Total | | 1 187 834 | 1 112 149 |
| Remuneration of Manager: Projects - I Smith | | | |
| Annual Remuneration | | 527 532 | 493 020 |
| Performance- and other bonuses | | 43 961 | 41 085 |
| Allowances | | 173 673 | 172 229 |
| Contributions to UIF, Medical and Pension Funds | | 122 556 | 115 109 |
| Total | | 867 721 | 821 442 |
| Remuneration of Manager: Maintenance and Household Services - E Bezuidenhout | | | |
| Annual Remuneration | | 593 918 | 542 088 |
| Performance- and other bonuses | | 49 494 | 45 174 |
| Acting allowance | | 51 395 | - |
| Long service award | | 16 652 | - |
| Allowances | | 168 304 | 163 953 |
| Contributions to UIF, Medical and Pension Funds | | 126 766 | 115 105 |
| Total | | 1 006 529 | 866 319 |
| Remuneration of Head Accountant: Budget and Treasury - C Brown | | | |
| Annual Remuneration | | 406 416 | 370 908 |
| Performance- and other bonuses | | 33 868 | 30 909 |
| Allowances | | 124 156 | 123 219 |
| Contributions to UIF, Medical and Pension Funds | | 119 858 | 110 411 |
| Long service award | | 16 257 | - |
| Total | | 700 554 | 635 448 |
| Remuneration of Manager: Municipal Health Services - D Smith | | | |
| Annual Remuneration | | 426 132 | 388 920 |
| Performance- and other bonuses | | 35 511 | 32 410 |
| Allowances | | 123 546 | 122 674 |
| Contributions to UIF, Medical and Pension Funds | | 97 874 | 90 249 |
| Long service award | | 12 784 | - |
| Total | | 695 847 | 634 253 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|-----------|------------------|------------------|
| 21 REMUNERATION OF COUNCILLORS | | | |
| Executive Mayor | | 582 501 | 495 726 |
| Speaker | | 588 475 | 583 670 |
| Councillors | | 1 264 034 | 1 245 985 |
| Councillors' allowances | | 683 523 | 644 607 |
| Total Councillors' Remuneration | | 3 118 533 | 2 969 987 |
| Remuneration paid to councillors were as follows: | | | |
| BG Vass - Councillor - Previous Executive Mayor (Term ended) | | - | 213 660 |
| MJ Cloete - Councillor - Current Executive Mayor | | 582 501 | 45 982 |
| M Groenewaldt - Councillor - Previous Speaker (Term ended) | | - | 623 770 |
| HJ Jack - Councillor | | 390 739 | 302 012 |
| GY Pieters - Councillor | | 13 524 | 81 932 |
| CK Klaase - Councillor | | 306 352 | 295 677 |
| AS Rooi - Councillor (Term ended) | | - | 322 003 |
| JE Davids - Councillor | | 16 031 | 60 828 |
| NC Klaaste - Councillor - Acting Speaker (Term ended) | | 627 932 | 233 527 |
| CR Warne - Councillor | | 306 352 | 295 677 |
| G Gous - Councillor | | 16 031 | 17 689 |
| SC Nero - Councillor (Term ended) | | - | 6 760 |
| ZP De Jongh - Councillor | | 16 672 | 17 689 |
| WJ Links - Councillor | | 95 932 | 44 744 |
| AM Beukes - Councillor | | 306 352 | 295 677 |
| AS Minnies - Councillor | | 306 352 | 27 060 |
| EP Cloete - Councillor | | 16 031 | 641 |
| CG Coetzee - Councillor | | 101 059 | 66 969 |
| GJ Coetzee - Councillor | | 16 672 | 17 689 |
| Total Councillors' Remuneration | | 3 118 533 | 2 969 987 |
| In-kind Benefits | | | |
| The Executive Mayor, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | | |
| The Executive Mayor as well as the Speaker may utilise official Council transportation when engaged in official duties. | | | |
| 22 DEPRECIATION AND AMORTISATION EXPENSE | | | |
| Property, plant and equipment | | 1 512 047 | 1 481 014 |
| Intangible assets | | 91 487 | 220 184 |
| Investment property carried at cost | | 13 594 | 13 594 |
| Correction of Error | Note 29.1 | - | (37 660) |
| Total Depreciation and Amortisation | | 1 617 127 | 1 677 132 |
| 23 FINANCE COSTS | | | |
| Borrowings | | 30 306 | 35 509 |
| Non-current employee benefits | | 1 558 572 | 1 584 864 |
| Total Finance Costs | | 1 588 878 | 1 620 373 |
| 24 CONTRACTED SERVICES | | | |
| Contractors | | 3 282 427 | 4 236 115 |
| Consultants and Professional Services | | 6 034 826 | 5 635 768 |
| Outsourced Services | | 27 700 | 40 000 |
| Correction of Error | Note 29.5 | - | 53 503 |
| | | 9 344 953 | 9 965 386 |
| 25 GRANTS AND SUBSIDIES PAID | | | |
| Grants paid to B - Municipalities | | 2 998 435 | 842 951 |
| | | 2 998 435 | 842 951 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|-----------|-------------------|-------------------|
| 26 OPERATIONAL COSTS | | | |
| <i><u>Included in general expenses are the following:-</u></i> | | | |
| Advertising | | 462 289 | 112 063 |
| Assessment rates | | 346 622 | 344 767 |
| Audit fees | | 2 380 000 | 2 256 528 |
| Bank charges | | 41 044 | 39 155 |
| Bursaries | | 7 190 | 5 750 |
| Conferences and delegations | | 73 532 | 56 917 |
| Inventory consumed - Consumables | | 70 138 | 76 146 |
| Entertainment | | 137 668 | 148 857 |
| Fuel and oil | | 838 808 | 629 477 |
| Insurance | | 495 957 | 390 057 |
| Inventory consumed - Materials and Supplies | | 145 622 | 368 080 |
| Legal expenses | | 47 191 | 165 632 |
| Licence fees - vehicles | | 22 121 | 13 176 |
| Licence fees - computers | | 483 711 | 662 929 |
| Membership fees | | 526 682 | 526 217 |
| Printing and stationery | | 284 370 | 325 740 |
| Section 21 company | | 105 387 | 138 578 |
| Rental of office equipment | | 16 290 | 12 434 |
| Rental of office buildings | | 8 054 | 7 527 |
| Skills development levies | | 324 884 | 292 650 |
| Telephone cost | | 339 697 | 427 905 |
| Transport - Municipal Activities | | 43 421 | - |
| Transport claims | | 17 852 | 16 477 |
| Travel and subsistence | | 4 588 563 | 3 318 672 |
| Uniforms & overalls | | - | 1 667 |
| Water, electricity and sanitation | | 577 927 | 597 997 |
| Other operating expenses | | 32 333 | 25 355 |
| Correction of Error | Note 29.5 | - | 24 647 |
| | | 12 417 352 | 10 985 400 |
| 27 GAIN / (LOSS) ON SALE OF ASSETS | | | |
| Property, plant and equipment | | (74 038) | (619) |
| Total Gain / (Loss) on Sale of Assets | | (74 038) | (619) |
| 28 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS) | | | |
| Property, Plant & Equipment | | 88 993 | 15 845 |
| Financial Assets | | - | 2 950 |
| Total Impairment loss / (Reversal of Impairment Loss) | | 88 993 | 18 795 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|--------------------------|-----------|-------------------|
| 29 CORRECTION OF ERROR IN TERMS OF GRAP 3 | | | |
| The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: | | | |
| 29.1 PROPERTY, PLANT AND EQUIPMENT | | | |
| Balance previously reported | | - | 6 042 439 |
| Other Assets not recognised in prior year | Note 5 and Note 29.4 | - | 6 597 |
| Correction of depreciation on Buildings | Note 5 and Note 22 | - | 37 660 |
| Restated Balance | | - | 6 086 696 |
| <i>Correction of Other Assets not recognised in prior year as well as correction of incorrect depreciation on Buildings.</i> | | | |
| 29.2 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | | |
| Balance previously reported | | - | 4 186 405 |
| Correction of Sundry Payables | Note 8, Note 24, Note 26 | - | 78 150 |
| | | - | 4 264 555 |
| <i>Correction of Sundry Payables in prior year.</i> | | | |
| 29.3 CASH AND CASH EQUIVALENTS | | | |
| Balance previously reported | | - | 11 469 351 |
| Recognition of interest received in 2017/2018 | Note 2 | - | 135 117 |
| Restated Balance | | - | 11 604 468 |
| <i>Recognition of interest received in 2017/2018</i> | | | |
| 29.4 Accumulated Surplus / Deficit - 1 July 2017 | | | |
| Other Assets not recognised in prior year | Note 29.1 | - | 6 597 |
| Total | | - | 6 597 |
| 29.5 Changes to Statement of Financial Performance | | | |

| | Balance previously reported after reclassification in note 47 | Adjustments | Restated Balance |
|---|---|-----------------|---------------------|
| Revenue | | | |
| Government grants and subsidies | 46 042 639 | - | 46 042 639 |
| Actuarial Gains | 883 764 | - | 883 764 |
| Rental of facilities and equipment | 1 024 966 | - | 1 024 966 |
| Interest earned - external investments | 1 087 175 | 135 117 | 1 222 292 |
| Interest earned - outstanding receivables | 89 723 | - | 89 723 |
| Operational Revenue | 4 334 315 | - | 4 334 315 |
| Total | 53 462 582 | 135 117 | 53 597 699 |
| Expenditure | | | |
| Employee related costs | (31 555 624) | - | (31 555 624) |
| Remuneration of councillors | (2 969 987) | - | (2 969 987) |
| Debt impairment | - | - | - |
| Actuarial losses | - | - | - |
| Depreciation and amortisation expense | (1 714 792) | 37 660 | (1 677 132) |
| Finance costs | (1 620 373) | - | (1 620 373) |
| Contracted services | (9 911 883) | (53 503) | (9 965 386) |
| Grants and subsidies paid | (842 951) | - | (842 951) |
| Operational Costs | (10 960 754) | (24 647) | (10 985 400) |
| Total | (59 576 364) | (40 490) | (59 616 854) |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|-----------|-----------|-----------|
| Gains and Losses | | | |
| Gain / (loss) on sale of assets | (619) | - | (619) |
| Reversal of impairment loss / (Impairment loss) - Receivables | 9 344 808 | - | 9 344 808 |
| Reversal of impairment loss / (Impairment loss) - Assets | (18 795) | - | (18 795) |
| Total | 9 325 395 | - | 9 325 395 |
| Net Surplus/(Deficit) for the year | 3 211 612 | 94 627 | 3 306 239 |

30 CASH GENERATED BY OPERATIONS

| | | |
|--|------------------|--------------------|
| Surplus/(deficit) for the year | (5 274 550) | 3 306 239 |
| <u>Adjustment for Cash and Non-Cash:</u> | | |
| Depreciation and amortisation | 1 617 127 | 1 677 295 |
| (Gain) / loss on sale of assets | 74 038 | 619 |
| Contributed Property, Plant and Equipment | (439 288) | - |
| Government Grants and Subsidies received | 55 547 000 | 44 084 000 |
| Government Grants and Subsidies recognised as revenue | (55 195 884) | (46 042 639) |
| Contribution to provisions - Non-Current Provisions | 100 486 | 303 237 |
| Contribution to provisions - Actuarial (Gain) / Loss (Post Retirement Medical Benefit) | 3 037 307 | (960 533) |
| Contribution to provisions - Actuarial (Gain) / Loss (Long Service Award Benefit) | 225 490 | 76 769 |
| Debt Impairment | (596 679) | (9 344 808) |
| Bad Debts written-off | - | - |
| Impairment loss / (reversal of impairment loss) | 1 804 | 2 950 |
| Operating surplus before working capital changes: | (903 149) | (6 896 872) |
| (Increase)/decrease in Receivables | 112 940 | 10 672 748 |
| (Increase)/decrease in VAT receivable | 497 392 | 944 573 |
| Increase/(decrease) in Trade payables | (713 806) | (1 257 871) |
| Increase/(decrease) in Current Employee Benefits | 439 333 | 154 519 |
| Cash generated by/(utilised in) operations | (567 290) | 3 617 098 |

31 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

| | | |
|---|------------------|-------------------|
| Bank balances and cash - Note 2 | 7 537 497 | 11 604 468 |
| Net cash and cash equivalents (net of bank overdrafts) | 7 537 497 | 11 604 468 |

32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

| | | |
|---|------------------|-------------------|
| Cash and Cash Equivalents - Note 31 | 7 537 497 | 11 604 468 |
| <u>Less:</u> | | |
| Unspent Committed Conditional Grants - Note 11 | (1 610 388) | (1 259 271) |
| Net cash resources available for internal distribution | 5 927 109 | 10 345 197 |
| <u>Allocated to:</u> | | |
| Reserves | (73 832) | (60 983) |
| Resources available for working capital requirements | 5 853 278 | 10 284 213 |

33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|-----------|----------|
| Long-term liabilities (see Note 12) | 364 425 | 91 222 |
| Used to finance property, plant and equipment – at cost | (364 425) | (91 222) |
| Sub- total | - | - |
| Cash set aside for the repayment of long-term liabilities | - | - |
| Cash invested for repayment of long-term liabilities | - | - |

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|------------------|-----------|
| 34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE | | | |
| 34.1 Unauthorised expenditure | | | |
| Reconciliation of unauthorised expenditure: | | | |
| Opening balance | | - | - |
| Correction of prior period error | | - | - |
| Restated opening balance | | - | - |
| Unauthorised expenditure current year - operational | | 1 184 250 | - |
| Unauthorised expenditure current year - capital | | 745 405 | - |
| Approved by Council or condoned | | - | - |
| Current | | - | - |
| Prior period | | - | - |
| Transfer to receivables for recovery | | - | - |
| Current | | - | - |
| Prior period | | - | - |
| Unauthorised expenditure awaiting authorisation | | 1 929 655 | - |

Unauthorised expenditure can be summarised as follow:

| Incident | Disciplinary steps | | |
|---|--------------------|------------------|----------|
| Employee related cost (Actuarial Valuations) which resulted in actuarial losses | None | 1 184 250 | - |
| Contributed assets received from RRAMS and Department of Tourism | None | 330 894 | - |
| Acquisition of printers and tablets under finance leases | None | 414 511 | - |
| | | 1 929 655 | - |

The over expenditure incurred by municipal departments on their operating budgets during the year is attributable to the following categories:

| | | |
|----------|------------------|----------|
| Non-cash | 1 929 655 | - |
| Cash | - | - |
| | 1 929 655 | - |

Analysed as follows: Non-cash

| | | |
|---|------------------|----------|
| Employee related cost (Actuarial Valuations) which resulted in actuarial losses | 1 184 250 | - |
| Contributed assets received from RRAMS and Department of Tourism | 330 894 | - |
| Acquisition of printers and tablets under finance leases | 414 511 | - |
| | 1 929 655 | - |

Analysed as follows: Cash

| | | |
|-----------------------|----------|----------|
| Contracted Services | - | - |
| Employee related cost | - | - |
| Operational Costs | - | - |
| Other (list) | - | - |
| | - | - |

The overspending of the Budget per municipal vote can be summarised as follows:

| | 2019 Actual R | 2019 Final Budget R | 2019 Variance R |
|--|---------------------|---------------------------|-----------------------|
| Unauthorised expenditure current year - operating | | | |
| Executive and council | 19 838 710 | 20 299 043 | (460 333) |
| Budget and Treasury Office | 5 274 814 | 6 200 366 | (925 552) |
| Corporate Services | 17 267 595 | 16 083 345 | 1 184 250 |
| Community and Social Services | 5 062 348 | 5 458 369 | (396 021) |
| Public Safety | 4 671 616 | 4 742 787 | (71 171) |
| Health | - | - | - |
| Planning and Development | 16 998 942 | 23 202 457 | (6 203 515) |
| Road Transport | - | 918 184 | (918 184) |
| | 69 114 024 | 76 904 551 | (7 790 527) |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| Note | 2019 R | 2018 R 2019 Unauthorised R |
|--|-----------|--|
| Unauthorised expenditure current year - operating | | |
| Executive and council | | - |
| Budget and Treasury Office | | - |
| Corporate Services | | 1 184 250 |
| Community and Social Services | | - |
| Public Safety | | - |
| Health | | - |
| Planning and Development | | - |
| Road Transport | | - |
| | | <u>1 184 250</u> |

| | 2019 Actual R | 2019 Final Budget R | 2019 Variance R |
|--|---------------------|---------------------------|-----------------------|
| Unauthorised expenditure current year - capital | | | |
| Executive and council | 429 511 | 15 000 | 414 511 |
| Budget and Treasury Office | 11 436 | 17 000 | (5 564) |
| Community and Social Services | 58 310 | 65 000 | (6 690) |
| Corporate Services | 2 652 418 | 2 708 140 | (55 722) |
| Public Safety | 131 793 | 210 000 | (78 207) |
| Planning and Development | 1 015 894 | 685 000 | 330 894 |
| | <u>4 299 362</u> | <u>3 700 140</u> | <u>599 222</u> |

| | 2019 Unauthorised R |
|--|---------------------------|
| Unauthorised expenditure current year - capital | |
| Executive and council | 414 511 |
| Budget and Treasury Office | - |
| Corporate Services | - |
| Public Safety | - |
| Planning and Development | 330 894 |
| | <u>745 405</u> |

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|--|--------------|----------|
| Opening balance | - | - |
| Correction of prior period error | - | - |
| Restated opening balance | - | - |
| Fruitless and wasteful expenditure current year | 7 020 | - |
| Recovered from individual | (1 350) | - |
| Condoned or written off by Council | - | - |
| Current | - | - |
| Prior period | - | - |
| Transfer to receivables for recovery - not condoned | - | - |
| Current | - | - |
| Prior period | - | - |
| Fruitless and wasteful expenditure awaiting condonement | 5 670 | - |

Fruitless and wasteful expenditure can be summarised as follow:

| Incident | Disciplinary steps | | |
|---|--------------------|--------------|----------|
| Early checkout from Guesthouse for which accommodation was already paid | None | 1 750 | - |
| Extra night accommodation paid for Councillor not for official duties | None | 600 | - |
| Double booking for accommodation on same dates and same accommodation | None | 3 320 | - |
| | | <u>5 670</u> | <u>-</u> |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|------------------|------------------|
| 34.3 Irregular expenditure | | | |
| Reconciliation of irregular expenditure: | | | |
| Opening balance | | 1 943 306 | 129 919 |
| Correction of error - Irregular expenditure not previously recognised | | | 1 739 547 |
| Correction of error - Irregular expenditure overstated in prior year | | - | (236 449) |
| Restated opening balance | | 1 943 306 | 1 633 017 |
| Irregular expenditure current year | | 1 731 694 | 440 208 |
| Expenditure authorised i.t.o. Section 32 of MFMA | | - | (129 919) |
| Current | | - | - |
| Prior period | | - | (129 919) |
| Condonement supported by council | | - | - |
| Current | | - | - |
| Prior period | | - | - |
| Transfer to receivables for recovery – not condoned | | - | - |
| Current | | - | - |
| Prior period | | - | - |
| Irregular expenditure awaiting further action | | 3 675 000 | 1 943 306 |

Irregular expenditure can be summarised as follow:

| Incident | Disciplinary steps | | |
|---|--------------------|------------------|------------------|
| Deviations from the Supply Chain regulations - 3 Quotations not obtained - 2018 | None | 203 759 | 203 759 |
| Bid Adjudication Committee composition not in line with SCM regulations - 2018 | None | 1 558 771 | 1 558 771 |
| Non Compliance with SCM Regulations on quotations - 2018 | None | 180 775 | 180 775 |
| Bid Adjudication Committee composition not in line with SCM regulations - 2019 | None | 1 554 290 | - |
| Supplier not registered on Central Supplier Database (CSD) - 2019 | None | 159 504 | - |
| Non Compliance with SCM Regulations on quotations - Regulation 43(1) - 2019 | None | 17 900 | - |
| | | 3 675 000 | 1 943 306 |

Recoverability / Condonement of irregular expenditure is current being evaluated by Council in terms of section 32 of the MFMA. No steps have been taken as this stage to recover any monies.

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35

35.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

| | | |
|--|-----------|-----------|
| Opening balance | - | - |
| Council subscriptions | 500 000 | 500 000 |
| Amount paid - current | (500 000) | (500 000) |
| Amount paid - previous years | - | - |
| Balance unpaid (included in payables) | - | - |

35.2 Audit fees - [MFMA 125 (1)(c)]

| | | |
|--|-------------|-------------|
| Opening balance | - | - |
| Current year audit fee | 2 380 000 | 2 256 528 |
| Amount paid - current year | (2 380 000) | (2 256 528) |
| Amount paid - previous years | - | - |
| Balance unpaid (included in payables) | - | - |

35.3 VAT - [MFMA 125 (1)(c)]

| | | |
|--|----------------|----------------|
| Opening balance | 777 431 | 111 474 |
| Amounts received - current year | (1 852 375) | (2 468 364) |
| Amounts claimed - current year (payable) | 1 354 983 | 3 134 321 |
| Balance unpaid (included in payables) | 280 039 | 777 431 |

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE and UIF - [MFMA 125 (1)(c)]

| | | |
|--|-------------|-------------|
| Opening balance | - | - |
| Current year payroll deductions | 6 223 706 | 5 379 871 |
| Amount paid - current year | (6 223 706) | (5 379 871) |
| Amount paid - previous years | - | - |
| Balance unpaid (included in payables) | - | - |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|--|------|-------------|-------------|
| 35.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)] | | | |
| Opening balance | | - | - |
| Current year payroll deductions and Council Contributions | | 9 638 975 | 8 676 488 |
| Amount paid - current year | | (9 638 975) | (8 676 488) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in payables) | | - | - |

35.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

| | Type of Deviation | | |
|-----------|-------------------|----------------|--------------|
| | Single Supplier | Impractical | Emergency |
| July | 34 076 | 19 099 | - |
| August | 38 614 | 41 346 | - |
| September | 45 096 | 56 337 | - |
| October | 17 713 | 41 938 | 3 788 |
| November | 24 652 | 57 370 | - |
| December | 18 326 | 40 738 | - |
| January | 3 170 | 22 070 | - |
| February | 13 767 | 71 060 | - |
| March | 6 821 | 63 585 | - |
| April | 2 826 | 69 892 | - |
| May | 126 515 | 49 791 | - |
| June | - | 53 170 | - |
| | 331 576 | 586 396 | 3 788 |

35.7 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

36 CONTINGENT LIABILITY / ASSETS

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

37 IN-KIND DONATIONS AND ASSISTANCE

The municipality received contributed Property, Plant and Equipment during the financial year. This Property, Plant and Equipment is disclosed in Note 18 and in the detailed Fixed Asset Register.

38 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers.

38.1 Compensation of key management personnel

The compensation of key management personnel is set out in note 20 to the Annual Financial Statements.

38.2 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

| Company name | Related Party | Service Capacity | Relationship | 2019 R | 2018 R |
|--------------------------------|-------------------------|-----------------------|--------------|---------------|--------------|
| Afren Power Projects (Pty) Ltd | Accountant - C Jantjies | Supplier - Electrical | Wife | - | 4 542 |
| GJP Solar Electric (Pty) Ltd | Accountant - C Jantjies | Supplier - Electrical | Wife | 33 438 | - |
| | | | | 33 438 | 4 542 |

39 EVENTS AFTER THE REPORTING DATE

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|-----------|-----------|
| 40 FINANCIAL RISK MANAGEMENT | | | |
| The activities of the municipality expose it to a variety of financial risks, including credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. | | | |
| (a) Foreign Exchange Currency Risk | | | |
| The municipality does not engage in foreign currency transactions. | | | |
| (b) Price Risk | | | |
| The municipality is not exposed to price risk. | | | |
| (c) Interest Rate Risk | | | |
| As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates. | | | |
| The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities. | | | |
| The municipality did not hedge against any interest rate risks during the current year. | | | |
| The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow: | | | |
| 1% (2018: 1%) Increase in interest rates | | 75 375 | 114 694 |
| 1% (2018: 1%) Decrease in interest rates | | (75 375) | (114 694) |
| (d) Credit Risk | | | |
| Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss. | | | |
| Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. | | | |
| Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. | | | |
| All rates are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. | | | |
| | | 2019 % | 2019 R |
| Property Rentals | | 30.97% | 958 139 |
| Other | | 69.03% | 2 135 927 |
| | | 100.00% | 3 094 065 |
| | | 2018 % | 2018 R |
| Property Rentals | | 41.07% | 1 007 377 |
| Other | | 58.93% | 1 445 683 |
| | | 100.00% | 2 453 059 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| Note | 2019 R | 2018 R |
|---|-----------|-----------|
| No receivables are pledged as security for financial liabilities. | | |
| Due to short term nature of trade and other receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable. | | |
| The provision for bad debts could be allocated between the different classes of receivables as follow: | | |

| | 2019 % | 2019 R |
|------------------|-----------|------------|
| Property Rentals | 4.83% | 694 276 |
| Other | 95.17% | 13 670 845 |
| | 100.00% | 14 365 121 |

| | 2018 % | 2018 R |
|------------------|-----------|------------|
| Property Rentals | 4.04% | 604 090 |
| Other | 95.96% | 14 357 710 |
| | 100.00% | 14 961 800 |

The provision for bad debts could be allocated between the different categories of receivables as follow:

| | 2019 % | 2019 R |
|-------------|-----------|------------|
| Government | 91.98% | 13 212 546 |
| Industrial | 3.19% | 458 299 |
| Residential | 4.83% | 694 276 |
| | 100.00% | 14 365 121 |

| | 2018 % | 2018 R |
|-------------|-----------|------------|
| Government | 93.35% | 13 966 492 |
| Industrial | 2.61% | 391 218 |
| Residential | 4.04% | 604 090 |
| | 100.00% | 14 961 800 |

Ageing of amounts past due but not impaired are as follows:

| | |
|--------------------|----------------|
| 2019 | |
| 1 month past due | 1 752 |
| 2+ months past due | 394 626 |
| | <u>396 379</u> |

| | |
|--------------------|----------------|
| 2018 | |
| 1 month past due | 1 986 |
| 2+ months past due | 260 095 |
| | <u>262 082</u> |

Bad debts written-off per receivable class:

| | 2019 % | 2019 R |
|------------------|-----------|-----------|
| Property Rentals | 0.00% | - |
| Other | 0.00% | - |
| | 0.00% | - |

| | 2018 % | 2018 R |
|------------------|-----------|-----------|
| Property Rentals | 0.00% | - |
| Other | 0.00% | - |
| | 0.00% | - |

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|------|-------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: | | | |
| Investments | | - | - |
| Receivables from non-exchange transactions | | 15 348 473 | 15 412 175 |
| Cash and Cash Equivalents | | 7 537 497 | 11 604 468 |
| | | <u>22 885 970</u> | <u>27 016 643</u> |

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year | Between 1 and 5 years |
|--------------------------|------------------|--------------------------|
| 2019 | | |
| Long-term Liabilities | 185 901 | 270 360 |
| Trade and Other Payables | 3 550 749 | - |
| | <u>3 736 649</u> | <u>270 360</u> |
| | Less than 1 year | Between 1 and 5 years |
| 2018 | | |
| Long-term Liabilities | 96 544 | - |
| Trade and Other Payables | 4 264 555 | - |
| | <u>4 361 099</u> | <u>-</u> |

41 FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

| 41.1 <u>Financial Assets</u> | <u>Classification</u> | | |
|---|--------------------------|-------------------|-------------------|
| Receivables from Non-Exchange Transactions | | | |
| Sundry Debtors | Loans and Receivables | 6 565 399 | 6 629 101 |
| Cash and Cash Equivalents | | | |
| Bank Balances | Loans and Receivables | 1 352 082 | 934 816 |
| Call Deposits | Loans and Receivables | 6 184 915 | 10 669 152 |
| Cash Floats and Advances | Loans and Receivables | 500 | 500 |
| Total Financial Assets | | <u>14 102 896</u> | <u>18 233 569</u> |
| SUMMARY OF FINANCIAL ASSETS | | | |
| Financial Instruments at cost: | | | |
| Investments | Unlisted Investments | - | - |
| Financial Instruments at amortised cost: | | | |
| Receivables from Non-exchange Transactions | Sundry Debtors | 6 565 399 | 6 629 101 |
| Cash and Cash Equivalents | Bank Balances | 1 352 082 | 934 816 |
| Cash and Cash Equivalents | Call Deposits | 6 184 915 | 10 669 152 |
| Cash and Cash Equivalents | Cash Floats and Advances | 500 | 500 |
| | | <u>14 102 896</u> | <u>18 233 569</u> |
| Total Financial Assets | | <u>14 102 896</u> | <u>18 233 569</u> |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---|---|------------------|------------------|
| 41.2 Financial Liabilities | <u>Classification</u> | | |
| Long-term Liabilities | | | |
| Capitalised Lease Liability | Financial Instruments at amortised cost | 233 635 | 0 |
| Trade and Other Payables | | | |
| Trade Creditors | Financial Instruments at amortised cost | 566 206 | 296 022 |
| Payments received in advance | Financial Instruments at amortised cost | 39 491 | 29 227 |
| Other Creditors | Financial Instruments at amortised cost | 2 239 375 | 3 939 306 |
| Current Portion of Long-term Liabilities | | | |
| Capitalised Lease Liability | Financial Instruments at amortised cost | 130 790 | 91 222 |
| | | 3 209 497 | 4 355 777 |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Financial instruments at amortised cost: | | | |
| Long-term Liabilities | Capitalised Lease Liability | 233 635 | 0 |
| Trade and Other Payables | Trade Creditors | 566 206 | 296 022 |
| | Payments received in advance | 39 491 | 29 227 |
| Trade and Other Payables | Other Creditors | 2 239 375 | 3 939 306 |
| Trade and Other Payables | Capitalised Lease Liability | 130 790 | 91 222 |
| Current Portion of long-term liabilities | | 3 209 497 | 4 355 777 |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | Note | 2019 R | 2018 R |
|---------------|--|-----------|-----------|
| 42 | PRIVATE PUBLIC PARTNERSHIPS | | |
| | Council has not entered into any private public partnerships during the financial year. | | |
| 43 | FINANCIAL SUSTAINABILITY | | |
| | Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution. | | |
| | The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows: | | |
| | Financial Indicators | | |
| | The current ratio decreased to 1.01:1 from 1.45:1 in the prior year. | | |
| | The municipality have budgeted for a deficit of R 3 405 000 for the 2018/2019 financial year. The municipality is also budgeting for negative cash flows during 2019/2020 and 2020/2021 amounting to R 3 050 000 and R 4 305 000 respectively. | | |
| | The fair value of Land and Buildings exceeds their carrying value amount with R 18 292 281.15 | | |
| 44 | BUDGET INFORMATION | | |
| 44.1 | Explanation of variances between approved and final budget amounts | | |
| | The reasons for the variances between the approved and final budgets are mainly due to variances, and the reprioritising of projects, with the corresponding changes to funding sources. | | |
| 44.2 | Explanation of variances greater than 5%: Final Budget and Actual Amounts | | |
| | <u>Statement of Financial Position</u> | | |
| 44.2.1 | <u>Current Assets</u> | | |
| | Cash and Cash Equivalents | | |
| | <i>Decrease in Cash and Cash Equivalents due to budgeting for deficits.</i> | | |
| | Other Debtors | | |
| | <i>Outstanding amount from Department Agriculture, Forestry and Fisheries and Department of Roads and Public Works not recovered during the year.</i> | | |
| 44.2.2 | <u>Non-Current Assets</u> | | |
| | Intangible Assets | | |
| | <i>Decrease due to depreciation and write-off of intangible assets.</i> | | |
| | Property, Plant and Equipment | | |
| | <i>Decrease due to depreciation and write-off of Property, Plant and Equipment.</i> | | |
| | Investment Property | | |
| | <i>Decrease due to depreciation of Investment Property.</i> | | |
| 44.2.3 | <u>Current Liabilities</u> | | |
| | Borrowing | | |
| | <i>Increase due to new finance leases.</i> | | |
| | Trade and Other Payables | | |
| | <i>Increase in payables due to outstanding amounts in relation to Department Agriculture, Forestry and Fisheries.</i> | | |
| | Provisions | | |
| | <i>Increase in provision for staff leave and increase in the provision of post retirement benefits.</i> | | |
| 44.2.4 | <u>Non-Current Liabilities</u> | | |
| | Borrowing | | |
| | <i>Increase due to new finance leases.</i> | | |
| | Provisions | | |
| | <i>Increase due to actuarial loss on post-retirement benefits.</i> | | |
| 44.2.5 | <u>Net Assets</u> | | |
| | Reserves | | |
| | <i>Increase due to capital budget funded out of Capital Replacement Reserve</i> | | |

Namakwa District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June

| | Note | 2019 R | 2018 R |
|--|---|-----------|-----------|
| <u>Statement of Financial Performance</u> | | | |
| 44.2.6 | <u>Revenue</u> | | |
| | Rental of Facilities and Equipment | | |
| | <i>Minor decrease due to vacancy in rental of facilities.</i> | | |
| | Interest Earned - External Investments | | |
| | <i>Decrease due to withdrawal of capital to fund operating deficit.</i> | | |
| | Interest Earned - Outstanding Debtors | | |
| | <i>Increase due to more outstanding debtors.</i> | | |
| | Agency Services | | |
| | <i>Decrease due to decrease in functions performed on behalf of Provincial Departments. Contract not finalised during the year for Department of Environmental Affairs.</i> | | |
| | Transfers Recognised | | |
| | <i>Decrease due to decrease in funds spent and allocated to the Municipality.</i> | | |
| | Other Revenue | | |
| | <i>Increase due to income received from Construction CETA for student stipends.</i> | | |
| 44.2.7 | <u>Expenditure</u> | | |
| | Employee Related Costs | | |
| | <i>Vacant posts not filled.</i> | | |
| | Debt Impairment | | |
| | <i>Decrease to the reversal in provision of doubtful debts after payment received from debtor.</i> | | |
| | Actuarial losses | | |
| | <i>Increase due to new retirements of staff as well as the medical boarding of a staff member at the age of 44.</i> | | |
| | Finance Charges | | |
| | <i>Increase due to post-retirement interest cost budgeted under employed related costs as per National Treasury.</i> | | |
| | Other Materials | | |
| | <i>Decrease due to decrease in functions performed on behalf of Provincial Departments.</i> | | |
| | Contracted Services | | |
| | <i>Decrease due to the delayed implementation of functions on behalf of provincial department.</i> | | |
| | Transfers and Grants | | |
| | <i>Increase due to Government and Provincial Grants spent during the year relating to Khotso Pula Nafa.</i> | | |
| | Other Expenditure | | |
| | <i>Decrease due to decrease in projects and budget monitoring and cost cutting mechanisms.</i> | | |
| | Loss on Disposal of PPE | | |
| | <i>Increase due to disposal of asset write-offs.</i> | | |
| | Cash Flow Statement | | |
| 44.2.8 | <u>Net Cash from Operating Activities</u> | | |
| | Receipts | | |
| | <i>Variances due to decrease in functions performed on behalf of Provincial Departments, Increase in cash and cash equivalents and reprioritising of projects.</i> | | |
| | Payments | | |
| | <i>Decrease due to reprioritising of projects and budget monitoring.</i> | | |
| 44.2.9 | <u>Net Cash from Investing Activities</u> | | |
| | Proceeds on disposal of PPE | | |
| | <i>Increase due to impairment of Property, Plant and Equipment.</i> | | |
| | Decrease/(Increase) in Non-Current Investments | | |
| | <i>Decrease due to the write-off of the Nuweveld Co-op Member share.</i> | | |
| | Capital Assets | | |
| | <i>Increase due to expenditure on capital projects and funding obtained elsewhere.</i> | | |
| 44.2.10 | <u>Net Cash from Financing Activities</u> | | |
| | Borrowing | | |
| | <i>Increase due to repayment of finance leases.</i> | | |

45

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Community

Other

Total

| | |
|---|---|
| - | - |
| - | - |
| - | - |
| - | - |

This expenditure will be financed from:

Government Grants

Total

| | |
|---|---|
| - | - |
| - | - |

46

STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes

VAT Receivable

280 039

777 431

Receivables from Non-Exchange Transactions

Rates

Total Statutory Receivables

| | |
|---------|---------|
| - | - |
| 280 039 | 777 431 |

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (No 89 of 1997)

Namakwa District Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2019

| EXTERNAL LOANS | Loan number | Redeemable Date | Balance at | | Received during the period | Redeemed / written off during the period | Balance at 30 June 2019 | | Carrying Value of Property, Plant & Equipment | Other Costs in accordance with MFMA |
|------------------------------|---------------|-----------------|--------------|---|----------------------------|--|-------------------------|---------|---|-------------------------------------|
| | | | 30 June 2018 | R | | | R | R | | |
| LEASE LIABILITY | | | | | | | | | | |
| Office Equipment and Tablets | NDM006-460818 | 31/01/2022 | 91 222 | | 418 265 | (145 061) | | 364 426 | 351 857 | - |
| TOTAL EXTERNAL LOANS | - | - | 91 222 | | 418 265 | (145 061) | | 364 426 | 351 857 | - |

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

Namakwa District Municipality

APPENDIX B

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: MUNICIPAL VOTE CLASSIFICATION

for the year ended 30 June 2019

| 2018 Actual Income R | 2018 Actual Expenditure R | 2018 Surplus/ (Deficit) R | | 2019 Actual Income R | 2019 Actual Expenditure R | 2019 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|---|-------------------------------|------------------------------------|------------------------------------|
| 6 811 231 | 18 028 068 | (11 216 837) | Municipal Manager | 7 367 830 | 19 838 710 | (12 470 879) |
| 33 234 676 | (4 007 723) | 37 242 400 | Director: Finance | 41 212 825 | 5 274 814 | 35 938 011 |
| 1 024 966 | 9 944 994 | (8 920 029) | Director: Corporate Services | 3 483 881 | 17 267 595 | (13 783 713) |
| 8 900 299 | 16 334 465 | (7 434 166) | Director: Economic Development | 9 062 513 | 16 998 942 | (7 936 429) |
| 2 607 646 | 8 972 776 | (6 365 130) | Director: Community and Social Services | 2 712 425 | 9 733 964 | (7 021 539) |
| - | - | - | Director: Technical Services | - | - | - |
| 52 578 819 | 49 272 580 | 3 306 239 | Sub Total | 63 839 474 | 69 114 024 | (5 274 550) |
| - | - | - | Less Inter-Departmental Charges | - | - | - |
| 52 578 819 | 49 272 580 | 3 306 239 | Total | 63 839 474 | 69 114 024 | (5 274 550) |

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

Namakwa District Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2019

| | Cost / Revaluation | | | | Accumulated Depreciation and Impairment | | | | Carrying value |
|------------------------------------|--------------------|------------------|----------------|----------------------------|---|-------------------|-------------------|------------------|------------------|
| | Opening Balance R | Additions R | Take-on Assets | Transfer in / Transfer out | Disposals R | Closing Balance R | Opening Balance R | Disposals R | |
| Executive Mayor | 104 676 | - | - | - | (3 213) | 101 463 | 82 735 | 5 353 | 16 783 |
| Mayor - P.A | 111 643 | 7 333 | - | - | - | 118 976 | 92 361 | 14 503 | 16 720 |
| Speaker | 52 312 | - | - | - | (452) | 51 860 | 50 273 | 868 | 1 223 |
| Speaker - P.A | 33 413 | - | - | - | (1 203) | 32 210 | 31 611 | 782 | 1 188 |
| Councillors | - | - | - | - | - | - | - | - | - |
| Audit committee | - | - | - | - | - | - | - | - | - |
| Council Administration | 10 438 139 | - | - | - | (529 082) | 10 327 322 | 7 182 909 | 231 115 | 3 414 820 |
| Municipal Manager | 212 437 | - | 418 265 | - | (4 721) | 207 716 | 170 215 | 11 567 | 176 979 |
| Municipal Manager - Administration | 32 135 | - | - | - | (971) | 31 164 | 30 807 | 485 | 30 281 |
| Equitable Share - Administration | - | - | - | - | - | - | - | - | - |
| Internal Audit | 47 115 | - | - | - | (1 825) | 45 290 | 38 086 | 6 259 | 40 495 |
| Budget and Treasury | 847 227 | - | - | - | (24 273) | 822 953 | 755 522 | 19 337 | 788 426 |
| Finance | 7 241 | 7 837 | - | - | - | 15 078 | 382 | 2 383 | 2 735 |
| Asset Management | 6 597 | - | - | - | - | 6 597 | 550 | 1 649 | 4 398 |
| Supply Chain Management | - | - | - | - | - | - | - | - | - |
| Payroll | - | - | - | - | - | - | - | - | - |
| Fleet Management | - | - | - | - | - | - | - | - | - |
| Household Services | 701 402 | - | - | - | (67 071) | 634 331 | 579 215 | 35 764 | 548 434 |
| Human Resources | 110 462 | - | - | - | (2 947) | 107 515 | 104 753 | 3 158 | 103 450 |
| Council Buildings | 3 353 177 | 75 735 | - | - | (51 366) | 3 377 546 | 2 154 181 | 293 946 | 2 356 780 |
| Council Vehicles | 2 927 653 | 2 575 179 | - | - | - | 5 502 831 | 2 716 269 | 419 933 | 3 180 133 |
| Corporate Services | - | 1 504 | - | - | - | 1 504 | - | 100 | 1 404 |
| Planning | 826 897 | - | - | - | (3 854) | 823 033 | 678 159 | 104 786 | 741 634 |
| Economic Development | 103 544 | - | - | - | (7 848) | 95 696 | 88 841 | 5 894 | 85 157 |
| Tourism | 266 585 | 8 913 | 22 150 | - | (40 316) | 280 332 | 272 715 | 6 620 | 240 081 |
| Work for Water | - | - | - | - | - | - | - | - | - |
| Council Projects | 307 797 | - | - | - | (58 103) | 249 693 | 296 734 | 4 409 | 243 243 |
| Local Municipal Project Support | - | 512 027 | 404 965 | - | - | 916 993 | - | 8 899 | 90 495 |
| PMU | 17 481 | - | - | - | - | 17 481 | 16 378 | 336 | 16 709 |
| Safety | 3 134 880 | 131 793 | - | - | (10 286) | 3 256 187 | 2 249 918 | 431 969 | 2 550 483 |
| Environmental Health | 178 464 | 43 812 | - | - | (11 269) | 208 808 | 162 152 | 11 062 | 151 595 |
| Total | 23 942 075 | 3 363 934 | 845 380 | - | (818 810) | 27 232 580 | 17 793 045 | 1 622 257 | 8 692 112 |

The supplementary information set out in this appendix does not form part of the financial statements and is presented as additional information. Therefore this appendix is not audited.

Namakwa District Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: GENERAL FINANCE STATISTICAL CLASSIFICATION
for the year ended 30 June 2019

| 2018 | | | | 2019 | | |
|-------------------|--------------------|---------------------|--------------------------------|-------------------|--------------------|---------------------|
| Actual Income | Actual Expenditure | Surplus / (Deficit) | | Actual Income | Actual Expenditure | Surplus / (Deficit) |
| R | R | R | | R | R | R |
| 6 811 231 | 18 028 068 | (11 216 837) | Executive & Council | 7 367 830 | 19 838 710 | (12 470 879) |
| 33 234 676 | (4 007 723) | 37 242 400 | Budget & Treasury Office | 41 212 825 | 5 274 814 | 35 938 011 |
| - | - | - | Waste Management | - | - | - |
| 8 900 299 | 16 334 465 | (7 434 166) | Planning & Development | 9 062 513 | 16 998 942 | (7 936 429) |
| - | - | - | Health | - | - | - |
| 2 428 000 | 4 439 328 | (2 011 328) | Community & Social Services | 2 428 000 | 5 062 348 | (2 634 348) |
| - | - | - | Housing | - | - | - |
| 179 646 | 4 533 448 | (4 353 802) | Public Safety | 284 425 | 4 671 616 | (4 387 191) |
| - | - | - | Sport & Recreation | - | - | - |
| - | - | - | Environmental Protection | - | - | - |
| 1 024 966 | 9 944 994 | (8 920 029) | Corporate Services | 3 483 881 | 17 267 595 | (13 783 713) |
| - | - | - | Road Transport | - | - | - |
| - | - | - | Waste Water Management | - | - | - |
| - | - | - | Water | - | - | - |
| - | - | - | Electricity | - | - | - |
| - | - | - | Other | - | - | - |
| 52 578 819 | 49 272 580 | 3 306 239 | | 63 839 474 | 69 114 024 | (5 274 550) |
| - | - | - | Less: Inter-Department Charges | - | - | - |
| 52 578 819 | 49 272 580 | 3 306 239 | Total | 63 839 474 | 69 114 024 | (5 274 550) |

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Namakwa District Municipality

APPENDIX E

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2019
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| | 2019 Actual R | 2019 Under Construction R | 2019 Total Additions R | 2019 Budget R | 2019 Variance R | 2019 Variance % | Explanation of Significant Variances greater than 5% versus Budget |
|-----------------------------|---------------------|------------------------------------|---------------------------------|---------------------|-----------------------|-----------------------|---|
| Executive & Council | 429 511 | - | 429 511 | 15 000 | 414 511 | 2763.41% | The overspending in this department is due to printers and tablets obtained under finance leases. |
| Budget & Treasury Office | 11 436 | - | 11 436 | 17 000 | (5 564) | -32.73% | The underspending is due to savings after the purchase of a laptop. |
| Corporate Services | 2 652 418 | - | 2 652 418 | 2 708 140 | (55 722) | -2.06% | |
| Planning & Development | 1 015 894 | - | 1 015 894 | 685 000 | 330 894 | 48.31% | The overspending is due to the receipt of contributed Property, Plant and Equipment. |
| Health | - | - | - | - | - | 0.00% | |
| Community & Social Services | 58 310 | - | 58 310 | 65 000 | (6 690) | -10.29% | The underspending is due to savings after the purchase of laptops in the department. |
| Housing | - | - | - | - | - | 0.00% | |
| Public Safety | 131 793 | - | 131 793 | 210 000 | (78 207) | -37.24% | The underspending is due to savings after the purchase of cameras through a tender process. |
| Sport & Recreation | - | - | - | - | - | 0.00% | |
| Environmental Protection | - | - | - | - | - | 0.00% | |
| Waste Management | - | - | - | - | - | 0.00% | |
| Waste Water Management | - | - | - | - | - | 0.00% | |
| Road Transport | - | - | - | - | - | 0.00% | |
| Water | - | - | - | - | - | 0.00% | |
| Electricity | - | - | - | - | - | 0.00% | |
| Total | 4 299 362 | - | 4 299 362 | 3 700 140 | 599 222 | 16.19% | |

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Namakwa District Municipality

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 30 June 2018 | Contributions during the year | Correction of Error | Repaid to National Revenue Fund | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 June 2019 | Unspent 30 June 2019 (Creditor) | Unpaid 30 June 2019 (Debtor) |
|---|-------------------------|----------------------------------|------------------------|--|--|--|-------------------------|---------------------------------------|------------------------------------|
| National Government Grants | | | | | | | | | |
| Finance Management Grant | 1 022 | 1 320 000 | - | - | (1 319 997) | - | 1 026 | 1 026 | - |
| RSC Levies Replacement Grant | - | 38 355 000 | - | - | (38 355 000) | - | - | - | - |
| Equitable Share | - | 3 724 000 | - | - | (3 724 000) | - | - | - | - |
| Councillors Remuneration Grant | - | 2 645 000 | - | - | (2 645 000) | - | - | - | - |
| Health Inspector's Subsidy | - | 2 428 000 | - | - | (2 428 000) | - | - | - | - |
| Municipal Infrastructure Grant | - | - | - | - | - | - | - | - | - |
| Municipal System Improvement Grant | 1 359 | - | - | - | - | - | 1 359 | 1 359 | - |
| Rural Roads Asset Management Grant | 129 334 | 2 904 000 | - | (129 000) | (2 315 094) | (586 411) | 2 829 | 2 829 | - |
| PIMS | 2 255 | - | - | - | - | - | 2 255 | 2 255 | - |
| Total National Government Grants | 133 970 | 51 376 000 | - | (129 000) | (50 787 090) | (586 411) | 7 468 | 7 468 | - |
| Provincial Government Grants | | | | | | | | | |
| Border Fencing | 54 239 | - | - | - | (54 239) | - | - | - | - |
| Civil Defence Subsidy | 677 964 | - | - | - | (137 288) | (147 136) | 393 529 | 393 529 | - |
| EPWP | 1 070 | - | - | - | - | - | 1 070 | 1 070 | - |
| Fire Equipment Grant | 11 733 | - | - | - | - | - | 11 733 | 11 733 | - |
| IDP/LDO | 2 001 | - | - | - | - | - | 2 001 | 2 001 | - |
| Komaggas Road | 1 | - | - | - | - | - | 1 | 1 | - |
| SA Projects | 8 | - | - | - | - | - | 8 | 8 | - |
| Namaqua Sanitation Bucket System | - | - | - | - | - | - | - | - | - |
| NC Housing | 304 273 | 300 000 | - | - | (468 718) | - | 135 554 | 135 554 | - |
| Sakrivier Bridge | - | - | - | - | - | - | - | - | - |
| Khotso Pula Nala | 48 820 | 4 000 000 | - | - | (2 998 435) | - | 1 050 385 | 1 050 385 | - |
| Electronic Filling System | 4 798 | - | - | - | - | - | 4 798 | 4 798 | - |
| Total Provincial Government Grants | 1 104 895 | 4 300 000 | - | - | (3 658 681) | (147 136) | 1 599 078 | 1 599 078 | (0) |
| Other Grant Providers | | | | | | | | | |
| Spoegrivier Sport Ground (Lotto) | - | - | - | - | - | - | - | - | - |
| Swartzkop Sport Ground (Lotto) | 18 565 | - | - | - | (16 565) | - | - | - | - |
| Training Reserve (SETA) | 3 842 | - | - | - | - | - | 3 842 | 3 842 | - |
| Total Other Grant Providers | 20 407 | - | - | - | (16 565) | - | 3 842 | 3 842 | - |
| Total Grants | 1 259 271 | 55 676 000 | - | (129 000) | (54 462 336) | (733 548) | 1 610 388 | 1 610 388 | (0) |

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